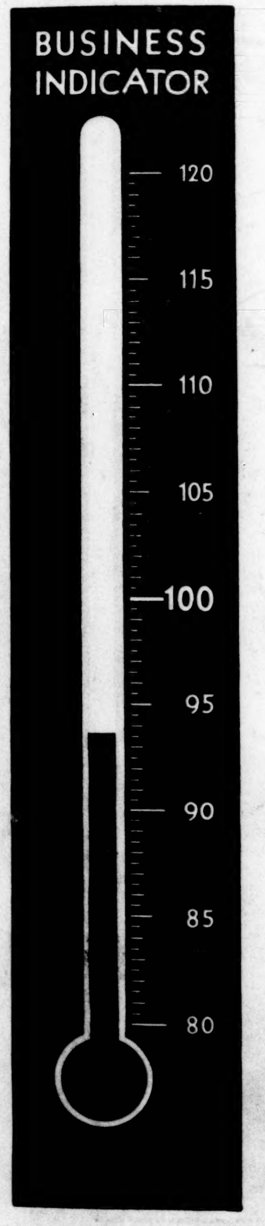
JUN 30 1930

JULY 2, 1930

THE BUSINESS WEEK



THE business tide reached its ebb during the past two weeks, and is beginning to turn, very slowly and tentatively, in face of a strong current of peevish, superficial, and premature pessimism. . . . . There will be no noticeable change in the next few weeks. Continued liquidation in certain lines will overlap and obscure increasing resistance, stabilization, and upturn in others. . . . . Progress will be slow, irregular, spasmodic, with sporadic relapses, successively less frequent and sharp, till the end of July. Then, in the same weeks when a year ago the downturn began, a decisive recovery will set in, general and definite enough to be evident even to the blue-funk brigades of business who have been enjoying their May-parties and June-walks in the cemetery. . . . . The rise of the business curve thereafter will be rapid, and will, as usual, steal a march on the slow-witted and self-centered stock market. By October it will be back to normal. . . . . This forecast is not based solely on the sharp circumstantial rise in our index from the low point of 88.8% of normal last week to 93.6% this week. Other statistical straws suggest strongly that the confused economic currents are setting more uniformly in the direction of recovery. (See pages 32, 33.) The adjournment of Congress will help clear the channel.

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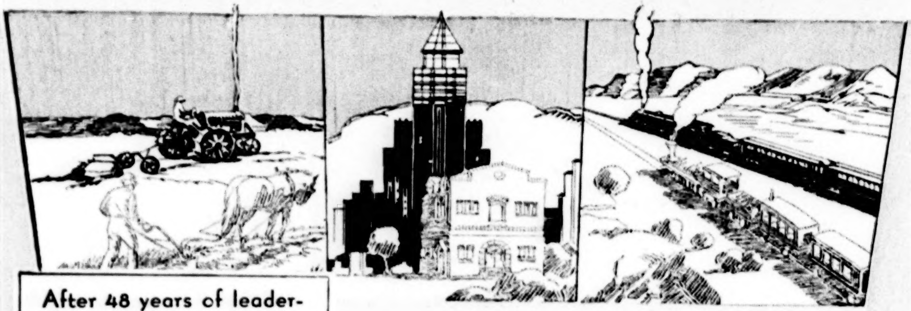
IRON TRADE REVIEW
STEEL



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IRON TRADE
STEEL

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Bus. Adm.

What's In This Issue —And Why

Tariff

Foreign nations, domestic interests, take at par value the President's emphasis on the flexibility of the new tariff. Five-ton truck loads of petitions for revision will greet the new commission. *(page 5)*

This tariff will wreak havoc in certain lines of export, to a less extent on imports, but neither this nor any tariff can greatly change the total volume, or block inevitable progress of events. *(page 25)*

Prices

Commodity prices break again—swiftly, far. This is not entirely discouraging, as a few signs show. *(page 6)*

Collateral Loans

Bank loans on collateral top commercial loans, for the first time in history. The novelty is spectacular, but not alarming. *(page 9)*

Earnings

Leading corporations, 246 of them; are 1% ahead of 1928—a good year—first quarter tabulations show. *(page 10)*

Finances Dealers

General Motors says ability is enough—if a dealer has that, G. M. will provide the money; already has invested $1 million in 50 agencies. *(page 12)*

Demolition Line

Ford reverses the famous assembly line; aged cars are scientifically chewed up, fed into the blast furnace. *(page 13)*

New Rails

Competition still is good medicine, the Interstate Commerce Commission believes, and over Southern Pacific's protests, approves building a $14-million line connecting Great Northern–Western Pacific. This creates competing systems from Canada to Mexico. *(page 14)*

Taplin Mystery

Frank E. Taplin used to be John D. Rockefeller's office boy. Now he is the mystery man whose moves with railroads puzzle rivals. But it looks as if he plans a fifth trunk line. *(page 15)*

Rails for Russia

Amtorg opens a Bureau of Transportation in New York, talks of a Chicago branch. Soviet commissars announce American rail equipment will be their model. In all of which our manufacturers think they hear the rustle of approaching order sheets. *(page 16)*

Is Shipping a Business?

Six outstanding business men are to look into the Shipping Board snarl. They will find traffic and rates slumping, vast tonnage idle, but building on the boom. Naval strategy, national pride, politics—but business? *(page 17)*

Canadian Pacific brings a fine new ship to compete with the three new Japanese liners on the Orient run and the two Dollar liners building. *(page 18)*

Pipe

With orders for 4,000 miles of big pipe booked in two months, the industry is riding a boom. Republic, Youngstown, Big Steel are racing feverishly to get a share. New processes add drama to the struggle. *(page 23)*

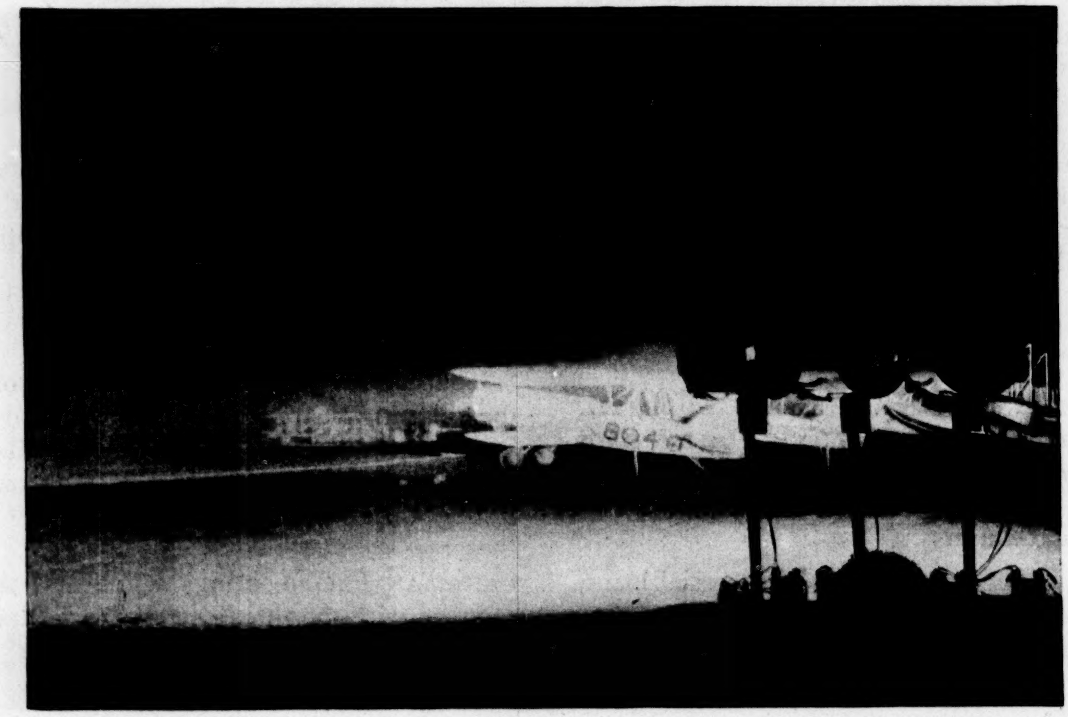
Cotton

E. F. Creekmore, who will buy and sell cotton for the whole United States, just couldn't help being a cotton man. The Creekmores always have been! *(page 27)*

Glass

Belgium used to dominate the plate glass industry. Came a new machine, now there's overproduction everywhere. A sales cartel is launched. *(page 28)*

DAYLIGHT LANDINGS *for the* MIDNIGHT MAIL



A night view of the Newark (N.J.) Airport, illuminated with Westinghouse Airport Lighting equipment.

Westinghouse
Electrification
Wiring
W

THE mail's coming in! Out of the dark stillness far above comes a faint hum, swelling into a rhythmical throb that quickens the blood with the insidious power of a tom-tom. A random flash from a wandering beacon picks up the glint of a silver wing. The throbbing ceases—then a golden torrent of light suddenly pours forth across the broad field, flooding it with a glare-free, shadowless brilliance. Midnight is turned magically to noon—and the midnight mail glides gracefully down to a daylight landing.

On hundreds of airports throughout the world today, this scene is all in the day's work. And in many outstanding examples, such as the new municipal field at Newark, the lighting equipment that makes it possible is by Westinghouse—a part of Westinghouse's contribution to the new industry that is to become the tool of all industries.

On many a desolate, inaccessible mountain-top, beacons are kept unfailingly alive by Westinghouse individual electric plants. And throughout every step of aircraft and engine manufacture you will find Westinghouse motors and Westinghouse electrical equipment showing the way to low-cost, standardized production.

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Westinghouse

THE BUSINESS WEEK

The Journal of Business News and Interpretation

News of the week ending June 28, 1930

Tariff Commission Expects Busy Season of Flexibility

At Home and Abroad, Business Prepares To Ask for Wholesale Rate Revisions

TARIFF discussion wasn't ended by the signing of the bill last week, though it has quieted temporarily while the combatants plan their strategy.

Chief developments on the Washington sector are:

The Cabinet big guns, in order of size, are being brought forward to lay down defensive barrages for the bill. Secretary Mellon's first shot was drowned in the roar of a crashing stock market. Secretary Lamont sought to calm fears about foreign trade effects by saying our trade has always grown and probably always would; that angry foreign countries would be soothed by the gentle hand of the flexible clause. Assistant Secretary Klein hailed the flexible provision as providing "fixed stars to guide business instead of the gyrating uncertainties of partisan fireworks"; the fixed stars of flexibility to shift gradually but promptly according to the laws of science and the changing circumstances of business.

Errors Left Till Later

The Congressional fireworks have abated as legislators pack brief cases and prepare to rush home to repair political fences. A few errors and uncertainties in the tariff law are to be left till next session to correct, or to the Tariff Commission to investigate. The Russian coal embargo question is held over to ascertain how "forced" Russian labor really is.

The present Tariff Commission, uncertain how much of itself will continue when the President starts reorganizing it, is nevertheless cleaning up its desk in preparation for a busy season of flexibility. Outside flexing requests are coming in. The Campbell Soup Co. is sorry it got too much protection and is worried about its foreign market, so asks re-investigation of soup rates. The Carded Woolen Manufacturers Association also has turned skeptical and asks Senator Borah to ask the commission to investigate wool rates. The commission has announced that it or its successor will start with a clean slate, and has dismissed all cases pending prior to the new law. Finally, it begins to get ready for the enormous job imposed by the new law, of re-computing all rates in the new tariff on the basis of "domestic value," just to enable Congress to see how the tariff would look on that basis. The commission has till 1932 to do this, and will need it.

On the foreign sector developments are also quieter, but more significant. Sentiment for immediate individual or concerted reprisal actions is fading. Some countries are starting experts preparing briefs to test the flexibility of flexible provisions. Trucks bearing these briefs and accompanying protests will soon be making rounds between embassies, the White House, and the Tariff Commission.

Aside from revived talk of establishing a "grain bloc" in Europe to curtail American agricultural imports, there is little sign of concerted action so far. One most significant effect of tariff is refusal of Poland, Czechoslovakia, and Germany to ratify the tariff truce plan arranged in Geneva two months ago, thus cancelling progress made toward more rational European trade policies. Second is practical suspension of negotiations of commercial treaties between the United States and about 20 other countries. These negotiations have been held up some 15 months during Congressional discussion of the new tariff, and now will be further suspended pending demonstration of flexibility. Meanwhile, this country still operates under most favored nation treatment with practically all countries, but most of these agreements may be terminated on short notice.

Foreign Trade Ruined?

Not at all. The tariff can readjust, upset, help here, hurt there—and it will. But no tariff can much change the total volume of exports or imports. Above all, no tariff can stay the great evolution of America from debtor to creditor nation.

This, the third of a series of simplified analyses of various aspects of the Smoot-Hawley law, appears on page 25.

Effects on commercial treaty negotiations are most serious as regards France, where parleys based particularly on settlement of the double taxation question were drawing to a successful close. French resentment against the American tariff continues, despite the conciliatory statement issued by the ambassador.

Business interests in France are beginning to realize that French goods have been spared the imposts levied on products of some other nations. This lightens the resentment but slightly. The American tariff, it is pointed out, will impair the purchasing power of other nations, and thus will injure French trade with them.

No immediate retaliatory action on the part of the government is likely, however, aside from protest to Washington. This is confirmed by the temporizing statement of M. Flandin, Minister of Commerce.

Canada Retaliates

The most important concrete action growing out of the tariff is the automatic application of countervailing Canadian duties on 12 important American exports—cattle, sheep, meats, eggs, butter, oats, potatoes, cast-iron pipe. Canada takes about a fifth of our potatoes exports, more than half of mutton, lamb, and oat exports, 20% of cattle, and 5% of eggs.

Cuba, after abrupt increase in tariffs affecting particularly American agricultural exports, has negotiated a most favored nation treaty with Japan which provides, among other things, for free entry of Japanese—who incidentally are very good farmers and can grow their own ham and eggs. Thus does the American farmer begin to realize the benefits of protective tariffs.

Commodity Prices Hit New Lows; May Now Be Scraping Bottom

Control Attempts Go by the Board as Drop Reaches Pre-War Levels—But Copper and Tin Are Stronger

ANOTHER bad week in commodity markets—the latest of a succession that has given business the sensation of a parachute jumper whose ripcord fails to work. Almost day by day, most staple commodities hit new lows. Copper alone held fairly firm, and tin showed slight signs of strengthening under approaching application of world-wide shutdown of production by international agreement.

If low prices are any evidence, the end of the decline should be in sight, unless the general price level is going to break through the pre-war basis, which the whole world has thought impossible. Rubber, sugar, silk, silver were all scraping new low figures this week. The decline in sugar prices has almost offset the tariff increase.

Wheat has fallen nearly 20 cents since the first of June and on the 24th July closed at 88⅜ cents in Chicago. Nearer the sources, in Kansas and Oklahoma, the new crop wheat is being sold at 70 cents or less. These are pre-war prices, and curiously enough are bringing with them pre-war wages of $3.00 per day in the wheat fields of Kansas. They come just when the tidal wave of the new crop is advancing on the market. Harvesting of winter wheat has spread as far north as Nebraska. More than 900 cars of new wheat have come into the 7 leading markets of the Northwest up to June 25. Rye is lowest since August, 1896. Wheat is about 30 cents, corn 17 cents, oats 8 cents, rye 43 cents, and barley 5 cents lower than a year ago. This means a decline in grain values of around $800 millions.

Farm Board Is Silent

The Farm Board is strangely silent and passive in face of this calamity. It has announced no stabilization plans and appears to be giving no definite support to the market, even though prices are far below those of last autumn when it declared an emergency and set up its Stabilization Corporation and made its fixed-price loaning arrangements. The Grain Stabilization Corporation, Mr. Legge says, has about 50 million bushels of the 1929 crop, which it is holding in anticipation of better prices because of high quality. The corporation will take over from the cooperatives on June 30 about 15 million bushels more on which farmers are unable or unwilling to pay back loans made on the basis of about $1.25 last fall. The Farmers' National Grain Marketing Corporation, according to Mr. Legge, will handle about 300 million bushels of wheat this year. Nobody knows how as yet, except that loans will not be made on a fixed price basis but on current market values. Legge further advises farmers not to depend on the Farm Board for too much credit, but to go to the intermediate credit and private banks for the bulk of it. He says the Farm Board will not ask Congress for more money from the half billion revolving fund.

The Board, through its Cotton Stabilization Corporation, acting for the co-ops, this week will take delivery on July contracts held by the co-ops, to the amount of nearly 200,000 bales. This will bring Farm Board holdings well above a million bales. In spite of this support July cotton has fallen to slightly above 13 cents, still above new crop prices, which range down to 12.70 on June 24, but nearly 2 cents below the prices two weeks ago. Although Mr. Legge shows no alarm over the cotton surplus, the New York Cotton Exchange service estimates stocks in this country at the end of the season, July 1, at peak figures of nearly 4½ million bales. Exports for the current season have been nearly 1¼ million bales less than last, domestic consumption more than 750,000 bales below last year. The new crop is in good shape, prospective yields generally larger, and acreage only about 2% smaller.

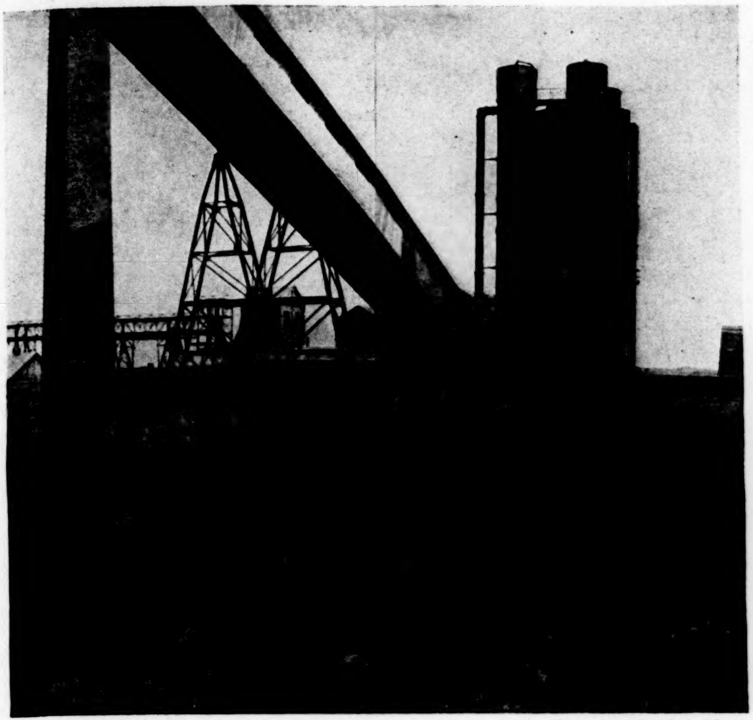
Weak on Stabilization

In the agricultural staples, where production control on growing crops is impossible, the only reaction to these price declines has been in the direction

Pacific & Atlantic

FOUR OF THE FOUR THOUSAND

Paul S. Clapp, director of the National Electric Light Association, Mrs. Matthew S. Sloan, Miss L. I. Sloan, and Matthew S. Sloan, head of the New York Edison Company and outgoing president. They attended the 53rd convention of the N. E. L. A. in San Francisco



Pacific & Atlantic

GERMANY WANTS THE BUSINESS

One of the new Russian chemical works which Germany would like to equip. This is the "Kertschensk" works under construction in Crimea. Napthalene and benzol will be made by the coke process. Bemag (Germany) has already sold $500,000 worth of coke ovens to Russia

Penney Comes Down Through the Fog

ADVERTISED as an answer to the charge that retail price cuts come altogether too far behind declines in raw material prices, J. C. Penney Co., chain stores, announces it has readjusted prices to the level of current replacement values.

The Penney Co. has come down through what appears to be a heavy merchandising fog. Asked by William H. Macey, merchandising manager of R. H. Macy & Co. of New York, to tell their course of action during "the present period of falling commodity prices," 4 store merchandising managers said they are purchasing larger than usual quantities and running special sales; 16 are reducing retail prices as fast as costs go down; 27 were maintaining prices and adding quality.

Meanwhile, there has been talk of "panicky price-cutting"—to which the Penney Company will probably reply that, by getting its prices down to replacement levels, it has merely taken a bookkeeping loss, with no loss in profits; that, by reducing its inventory values in a lump instead of in driblets, it may pick up profits ahead of slower-moving competitors.

of stabilization efforts, but enthusiasm for these is low. The Farm Board, as noted, has made no move except in cotton. The Canadian wheat pool has cut down the initial payments to be made on wheat for the balance of the 1929 crop, not yet delivered by pool members, from a dollar to 85 cents, which usually indicates what the pool regards as a safe amount to pay on the crop. The Japanese government holds the largest amount of silk stocks on record but is not able to hold the price up. Raw silk producers last week held a meeting to arrange a 10% curtailment in reeling, but this is not thought sufficient to affect prices much. Rubber tapping restriction efforts have made no further progress.

In the metals and other lines attempts to check price declines by production control seem somewhat more hopeful. The tin producers, as noted, have apparently checked the fall of prices by a general shutdown. Copper production is being drastically curtailed and the price is firmer because of increased demand. The market, however, has been apparently opened wide and the export associations' control domestically considerably weakened.

Russo-German Bargaining Centers on Credit Terms

European Bureau
The Business Week

As carefully staged as the Chauve-Souris is the first Soviet-German trade conference now meeting in Moscow. Red flags fly from the Kremlin, new trams and electric suburban trains are preened for severe German criticism, *Pravda* and *Izvestia,* Moscow newspapers, daily flaunt the completion of some new project in the Five-Year Plan—anticipate production next year in comparison, not with France or Germany or England, but with "the rest of Europe."

The Germans are demanding reconsideration of the Soviet policy of shipping all imports and exports in Russian bottoms to the almost total exclusion of German ships; acknowledgement of the violation of the spirit of the most-favored-nation clause in their treaty agreements, the Germans alleging that the Soviets have placed orders in America though at higher prices and more stringent credit terms than those demanded by German business; and finally, discontinuance of Soviet dumping of manufactured goods in Germany.

Complaints are not all from one side. Russians claim that the new German agricultural tariffs are barring normal imports of Russian farm products, and that Germany is refusing adequate credit facilities for Soviet orders.

Thus, credits, carefully excluded from the main issue. Moscow observers expect the Soviets to insist on arrangements for a credit scheme similar to that of 1927 with its government guarantee of nearly $70 millions. In view of Germany's precarious financial position and prevailing disappointment over the failure of Soviet orders to increase as rapidly as expected, acceptance is unlikely, though there may be important minor concessions. Germans in Berlin are pessimistic about the success of the conference.

There has lately been a tendency on the part of German manufacturers to exercise more caution in extending credits to the Soviets. It seems to be an established practice in Berlin that for orders valued at less than $25,000 credit is granted over a maximum of 9 months; for orders from $25,000 to $250,000—12 months; and for larger orders 18 to 24 months.

Germany Gives Longer Credits

Soviet requests for longer credits resulted in terms recently with Bamag (Berlin Anhalter Maschinen Aktien Gesellschaft) for 30% payment in 15 months and 70% in 30 months on an order for coke ovens valued at $500,000. The German Babcock & Wilcox company accepted on similar terms an order for boilers valued at $550,000.

It should be noted, likewise, that no cash payments are customary with Soviet orders in Germany. The manufacturer, however, is covered in most cases up to 60% of his invoice by a government guarantee. Considering that special higher prices are often asked for Soviet orders, this 60% would in reality in many cases come to 80% of the normal prices, so that the manufacturer's risk is practically limited to the profit he makes on these orders, or at worst, to his overhead.

In view of this government backing, the German terms are not comparable to those granted by American manufacturers as these, with 30% cash down and balance in 12 months, may ultimately risk more than a German firm which is giving 12 to 18 months without any cash down, but is covered for 60% of the amount involved.

Independent Radio Field Watches Majestic Suit

THE latent grievances which the independent radio manufacturers claim they have against the Radio Corporation of America (*The Business Week*, May 7, 1930) came to the surface this week with the suit brought by the Grigsby-Grunow Company of Chicago (Majestic) in the U. S. District Court at Kansas City to recover triple damages amounting to $30 million from R.C.A., General Electric, Westinghouse, R.C.A.-Victor and R.C.A. Radiotron. The suit charges these companies with violating the Sherman Anti-Trust law. A suit brought by the Department of Justice against these same companies to test legality of patent arrangements among them is now pending in the U. S. District Court at Wilmington, Del., it will be recalled (*The Business Week*, May 21, 1930).

Among charges filed by Grigsby-Grunow are that defendants created a patent pool and thus illegally compelled payment from the company of royalties amounting to almost $6 million. The plaintiff also charges that under the tube clause contained in the license agreement which the Grigsby-Grunow Company received from the defendants the company was compelled to buy radio vacuum tubes from R.C.A. at a high price and was prevented from engaging in the vacuum tube business until after this clause was declared illegal by the courts. In this connection the plaintiff claims $3 million.

Watchful Waiting

What the outward attitude of other independents will be as a result of the suit is difficult to determine. Certain it is that most of them secretly welcome the action of the more powerful Grigsby-Grunow as likely to clarify the present patent situation. Some observers believe that this suit may develop into the first move on the part of the independents to attempt to break what they call "monopolistic control" of the industry.

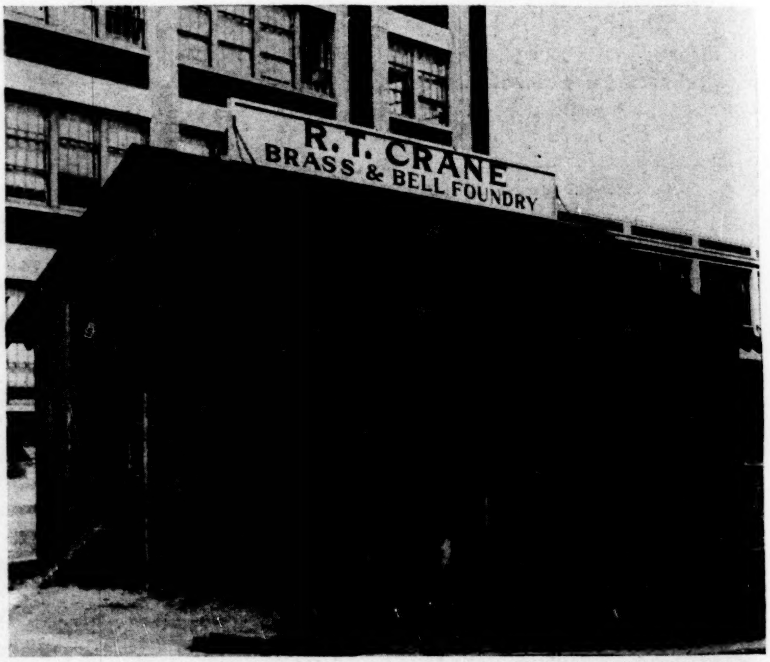
Census Report Cuts Down Unemployment Estimates

ONLY about 6%, instead of the estimated 12% to 15%, of the country's total working population were unemployed in April if the first release on census data collected in that month can be taken as a fair sample of employment conditions throughout the United States.

Study of these early figures shows that 574,647 persons out of 29,264,480 persons living in 756 counties and in 75 selected cities not included in these counties were jobless at that time. This is 2% of the total population covered, about one-third of whose number may be set down as usually gainfully occupied.

A breakdown of the figures indicates that there were two persons out of work in the 75 selected cities for every one in the 756 counties.

Commenting on the release, Secretary Lamont points out that there has been a seasonal pick-up in employment since the census was taken, and says that the figures, embracing about one-fourth of the population of the country, appear to be a fairly representative sampling of the complete census returns.



CRANE HAS A DIAMOND JUBILEE

On July 4, 1855, R. T. Crane poured the first casting in the original of this little shop. Tomorrow, officials and employees from all over the country will assemble here to celebrate the 75th anniversary of the business. One of every four is a veteran, with a service record of 10 to 59 years with the Crane Company

Wide World

THE OLD GRADS GO BACK

In the front row, left to right, are Walter S. Gifford, president of A. T. & T., and chief marshal of the class of 1905; J. P. Morgan, president of the Harvard Alumni Association; and A. Lawrence Lowell, president of the university

Rise in Secured Bank Loans Spectacular But Not Alarming

THE rise of collateral or secured loans in bank portfolios to a point at which they exceed the total of commercial borrowing is a new phenomenon in financial history. It may not mark a permanent change in banking, but it now seems likely to continue for some months. The trend has not appreciably weakened the banks and though 63% of bank credit is based on securities, the situation is more favorable than it looks on the surface.

How Loans Are Split

Loans by reporting member banks this week totaling $17,128,000,000 consisted of 50.3% on collateral and 49.7% commercial. Total reported credit, which includes loans and investments, together totaling $23,118,000,000, consists of 37.2% collateral loans, 25.9% investments in securities, and 36.8% commercial loans. Security loans last year accounted for only 33.1% of the total; two years ago, only 29.8%.

This year a persistent and spectacular growth of security loans has been due to the increasing and shifting loans of brokers and dealers in the New York call money market. The banks have completely regained "control" of the call money market, the loss of which brought them sharp criticism. Call loans constitute perhaps the most liquid of all forms of bank credit. The fact that increase in security loans by banks is due almost entirely to greater loans in the call market robs the mounting totals of much of their seeming danger.

Loans to brokers and dealers, though declining recently to about $3,800 millions, stand about $450 millions higher than at the first of this year. That is very nearly the same growth which has taken place in member bank credit total ($486 millions). At the first of the year New York banks accounted for 26% of all call market funds, out-of-town banks for 24% and "others"—corporations, individuals, foreigners—for 49%. Now New York banks have about 50%, out-of-town banks 24% and "others" 26%. That makes the banking total 74%.

The same development may be traced in another manner. Early in December only 18.7% of security loans were accounted for by bank loans to brokers and dealers in the New York call market. By February that 18.7% had risen to 24.1%, by April to 32.5%, and now it stands at 32%.

Loans on securities directly by banks have declined irregularly this year up to very recent weeks, during which there has been some increase, accounted for by a shift by security borrowers away from the brokers and back to the banks.

Less For Speculation

Further reassurance is found in the fact that the call money market has been using less of its funds for stock speculation than at any time in recent years. So-called "brokers' loans" actually are loans to brokers and dealers, the dealers being largely bond houses. This year the bond market has been called on to absorb more issues than have come into it in a long time. Dealers are carrying many securities on their "shelves" and these account for no small part of the increase in loans.

All of this year's loans on securities, directly to individuals or to brokers, have been made on a conservative basis. Ample margins have been made to care for market fluctuations. So the banks are in a much stronger position than a first reading of reports indicates.

A market decline of sufficient proportions might, of course, freeze some bank loans, just as it did last year. But assurances on this score have been offered in many quarters this week, among them one from Dr. W. Randolph Burgess, deputy governor of the New York Federal Reserve Bank.

Glass Banking Bill Proposes Many Changes

CARTER GLASS, outstanding Senate authority on finance, proposes extensive changes in banking laws through his recently introduced bill. He would—

Permit a national bank to establish branches throughout its home state, if the state already extends that privilege to state banks;

Prohibit organizations holding bank stock from voting this stock, so as to prevent holding companies from having a direct voice in bank control;

Put obstacles in the way of a bank's freedom to borrow from the Federal Reserve and lend the money for speculative purposes—as criticized during the late bull market—by prohibiting a bank indebted to the Reserve from increasing its loans on collateral or continuing to loan to financial houses, except to carry government securities, and making the limitation of national bank loans to brokers and other financial agencies to 10% of the bank's unimpaired capital and surplus, a strict, instead of a nominal one;

Remove the Secretary of the Treasury from the Federal Reserve Board to end the Treasury's "disproportionate influence if not domination," which was "never intended and should not persist" —to quote the Senator;

Give member banks a larger portion of Federal Reserve earnings; the Treasury a smaller one;

Require reports of all affiliates of national banks and Reserve member banks on each call date, along with those which are turned in at that time by the banks themselves;

Lighten restrictions on interest rate charges, placing the maximum legal rate for national and Reserve member banks at the level set by the state in which the bank is situated or 1% above the discount rate of the Reserve bank in that district.

Around this bill will center the Senate's program of banking investigations and discussions.

International News

Carter Glass

The gentleman from Virginia wants the banking laws changed to prevent loans for speculation, to discourage chain and group banking. A former Secretary of the Treasury, and one of the fathers of the Federal Reserve system, he is the Senate authority on banking and finance

Earnings Are Good If Compared With a Good Year—Like 1928

Reports on corporation earnings for the first quarter of 1930 are now nearly all in. Ernst & Ernst have been able to make comparisons with previous earning periods covering 246 leading corporations in all of the traditional industrial groups. Their compilations will tell pessimists that this year's first-quarter earnings for the 246 ran 25% behind those of the same period in 1929. Optimists will underline the finding that they went almost 1% ahead of earnings for the first quarter of 1928. And optimists may be able to recruit their decimated ranks by emphasizing the significance of the fact that this gain over the 1928 record was made in a period of considerably less business activity—with all that such a showing may mean as to cost-cutting and better selling.

Compare With Boom Days

Reports on second quarter earnings will not be available for several weeks. In a composite picture they are likely to look a good deal like the showing for the first quarter. Wall Street has been making gloomy predictions, but Wall Street cannot get out of the habit of making comparisons with the lush days of 1929. Those who have been watching the indicators and comparing with 1928 find some cause for satisfaction despite the spotty character of the industrial map.

Of 25 industrial groups for which earnings figures have been compiled, 5 found the first quarter of 1930 more profitable than the same period in either 1928 or 1929; 9 found it more profitable than 1928 if not as good as 1929. This makes 14 groups that topped the 1928 mark. Twenty groups failed to do as well as in the first 3 months of 1929; 11 dropped behind the records for both 1928 and 1929. These comparisons are shown by groups in the following table:

	Profit Change, 1930	
	From 1929	*From 1928*
Industries	%	%
Amusements	+56.81	+199.85
Beverages, Confectionery	+ 3.83	+ 20.56
Printing, Publishing	+12.68	+ 26.09
Railroad Equipment	+26.67	+ 66.38
Restaurant Chains	+11.09	+ 43.95
Bakeries	—10.54	+ 22.47
Business Equipment	—24.91	+ .95
Coal Mining	—27.53	+ 29.67
Drugs	—14.56	+ 16.77
Miscellaneous Food Products	— 5.86	+ 6.01
Iron, Steel	—19.52	+ 62.76
Machinery and Tools	— 3.84	+ 33.97
Oil Prod. and Refining	—39.80	+ 21.01
Unclassified	— 1.80	+ 4.94
Automobiles	—44.09	— 41.51
Parts and Accessories	—50.12	— 6.22
Building Supplies	—14.72	— 8.54
Chemicals	—23.82	— 5.61
Cigars	—22.76	— 10.10
Electrical Household Equipment	—18.27	— 8.16
Merchandising	—14.11	— 7.06
Metal Products, Sundry	—56.57	— 46.71
Mining, Smelting	—57.67	— 12.94
Paper Products	—69.21	— 35.42
Textiles	—49.64	— 23.86
TOTAL	—25.21	+ .92

From the table it will be seen that most of the 1930 declines from 1928 records were of moderate proportion—"slight recession" rather than "depression." Furthermore, in several cases where the drop is over 10% the explanation goes much deeper than "business recession"—as for instance to the effect of basic readjustments in textiles, to decreasing popularity of product in the cigar-making industry. In drawing conclusions from the table in the showing of the automobile industry, allowance ought to be made for the fact that Mr. Ford does not report his earnings. Since Mr. Ford is said to be getting a comparatively large share of the 1929 sales, it ought to rob the reported figures of considerable amount of their apparent significance.

Study of Economic Changes Progresses a Step Farther

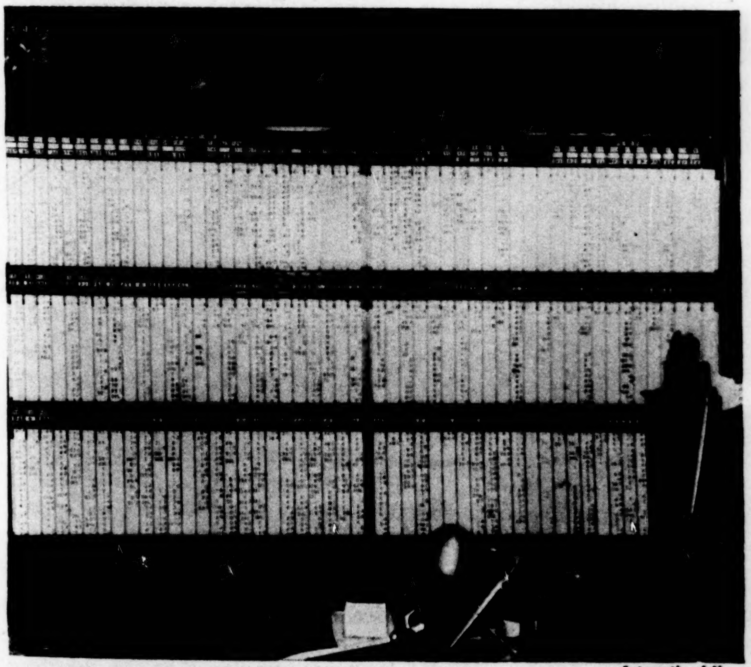
THE Committee on Recent Economic Changes of the President's Conference on Unemployment released on Wednesday morning, June 25, a brochure summarizing its report on "Planning and Control of Public Works." This study of this subject was begun in July, 1929, when the late lamented boom reached its peak, but what the committee refers to gingerly as "recent experiences" caused it to push its examination rapidly forward.

Just Foundation Work

The committee did not, however, expect very much to happen as a result of its study. The survey of public construction, it says, is but one step in a program of "exploration and appraisal" through which the foundation for an "appraisal mechanism" is to be enlarged so as ultimately to establish "a technique of economic balance"—not a perfectly adjusted balance, which would be practically unrealizable or even undesirable, but one which fluctuates within "zones of tolerance." Even this program, the committee says, must adapt itself to "the actualities of life."

On this basis the committee seems to feel that, in its proper place, as one among a number of steadying influences, and at its proper time, the acceleration of public construction may well become useful—if the sources of current information as to expenditures for public works and for budgeted future projects could be materially improved, and if federal, state, and municipal authorities were prepared to act in concert as the factors which affect the course of economic events indicate an approaching depression.

Withholding expenditure on public construction to accumulate a reserve of work for depression periods or non-economic reasons for public construction are not favored. Long-range planning and budgeting are necessary, as well as careful investigation of all factors involved in connection with the various departments of state, county, and municipal governments, the working together of local officials and interested citizens, and the skilful "timing of the acceleration" in adjustment to the "principles of mobility and protection."



International News

No Board Boys Here

The electric quotation board in the New Chicago Board of Trade Building eliminates hustling board boys, with their clicking markers and length of ticker tape. It is operated from the keyboard in the foreground

The committee concludes that the American Bar Association should appoint a committee to examine the legal questions involved and to make recommendations looking toward proposals for dealing with this dual problem.

While these results of the committee's labors were being studied by the public at its enforced leisure, Senator Wagner's bills, intended to start certain activities for the prevention of future unemployment, were being considered in the House Committee where they went after being passed by the Senate.

Wagner Bills Changed

One of these bills would establish a federal board to plan and budget federal expenditures in relation to employment conditions; another provides for collection of broader statistics on employment; a third would set up employment exchanges, with federal aid, in states where there are none, thus following the recommendation of the President's Conference on Unemployment in 1921, of which Mr. Hoover was chairman. Under pressure of criticism from press and labor circles, all three bills were finally reported out and sent to the House for vote. Although time is short and a priority ruling may be required, they will probably be passed for fear of unfavorable reaction on the administration, but in considerably amended form.

Senator Wagner says these changes have made his proposed legislation ineffective and blames the President for them. Others interested in providing means to meet current unemployment conditions, like W. F. Green, president of the American Federation of Labor, Industrial Commissioner Perkins of New York and Ernest G. Draper, member of Governor Roosevelt's Unemployment Commission, expressed disappointment, the latter saying that "after 25 years of researching about unemployment nothing had been done."

Banking Pressure Sends Stocks to Wall Street

THE continued increase in number of stocks listed for trading on the New York Stock Exchange, despite current market and business fluctuations and despite the heavy decline in number of new issues, offers significant commentary on present-day banking practices.

Total listed shares on June 1 numbered 1,220,674,416, according to figures just released. This marked an increase of 21,000,000,000 during May;

of 93,000,000 since the first of the year; and of 297,000,000 since June, 1929, a rate of increase smaller than that of 1929 but greater than that of any previous period.

The reason, now that volume of new issues has dropped off, is found in the bank trend toward collateral loans and the fact that banks generally lend a higher percentage of the quoted value against stocks listed on the New York Exchange than against shares listed elsewhere.

In scrutinizing collateral, the banker has a prime interest in its ready marketability, and, despite the ambitious programs of other 'changes, New York still serves this interest better than any other trading center. Bankers remember that no city of any size lacks a brokerage representative of a New York firm, that probably more banks have connections in New York than in any other city. Corporations come to Wall Street to insure the widest distribution, best possible demand for the issues.

The net result of all this is to increase the importance of New York as a financial center despite the efforts of banks and other financial organizations in other cities to achieve financial independence of Manhattan. Expanding exchanges in Chicago, on the Pacific Coast and elsewhere have not stemmed the tide toward New York, although trading on some shows an increase over last year's volume, while New York shows a decrease despite added listings.

Banking pressure to list stock in New York is by no means new. Marketability has always been an important consideration in making loans. But today business as well as individuals is getting more loans on collateral.

Flares of resentment against this very natural banking practice appear periodically. The Insulls, great utility operators of the Middle West, always have refused to "go to New York" with their stock. Recently they publicly took Chicago bankers sharply to task for encouraging others to go there.

G. M. Will Find Capital For Dealers With Brains

ONE way to increase the sale of a product is to make purchasing easier for buyers; another is to make selling easier for distributors. General Motors made effective use of the first through its Acceptance Corp.; now it is going to try out the second through the General Motors Holding Corp.

Successful General Motors dealers have heretofore been those with brains and capital. Hereafter brains are going to be the principal requirement. Such dealers can form a local stock company and General Motors Holding Corp. will buy enough of their stock to provide adequate capital facilities. They can take advantage of a repurchase agreement to regain full ownership of their enterprises out of normal earnings. As an inducement, the holding company will relinquish to those exercising the repurchase option half of the earnings that would normally accrue to it.

How large a part brains are going to play in the transaction is indicated by the announcement that all capital advances will be made on an investment basis in which the selection of the retailer is rated at 90% of the problem.

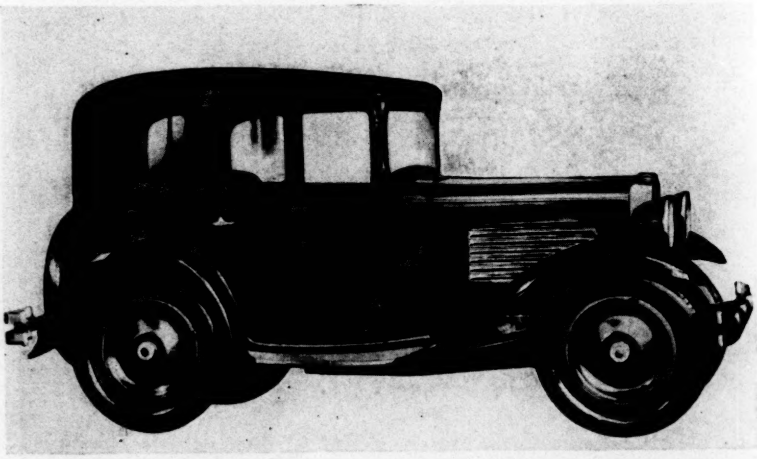
Recommendations for dealer underwritings will be made by the various divisions of the holding corporation. Such recommendations have been made during the past year while the organization has been making a quiet study; about $1 million has already been invested in the brains of 50 dealers. Now G.M. is ready to operate its plan on a nation-wide basis, is completing regional offices in Chicago, Kansas City, and San Francisco similar to those already established in New York and Atlanta, will open others as business warrants. But it insists that the company has no intention of going into the retail field on its own.

Gas Taxes Are Going Up; So Is Bootlegging

DESPITE the fact that the 1930 gasoline tax bill is estimated by the American Petroleum Institute at $550 millions—$100 millions more than 1929—at least 7 state legislatures are seriously considering ways of extracting more golden eggs from the motorist goose.

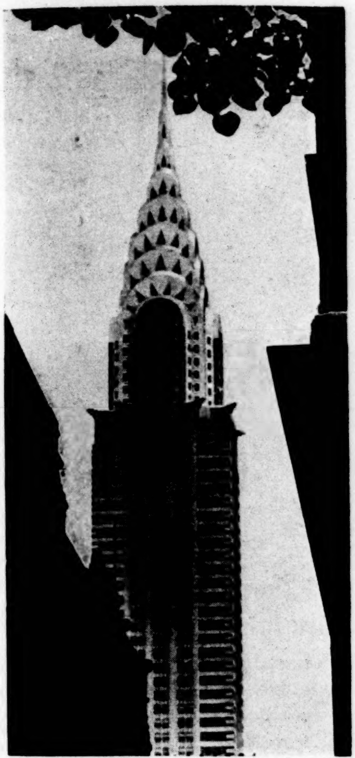
This week North Dakota voters will decide if the state tax will be increased from 3 to 4 cents per gallon. Louisiana proposes to increase its 4-cent tax to 5 or 6 cents. Increases from 4 to 5 cents are being agitated in West Virginia, Nebraska, and Colorado. Upstate counties of Wisconsin want the present 2-cent tax rate doubled. Washington State Automobile Club has suggested that car owners, who now pay about $40 in taxes each year, would be benefited by increasing the gasoline tax from 3 cents to 4 and placing the registration fee on a flat basis of not more than $5.

The only real break for the motorists comes in Pennsylvania where, on July 1, the 4-cent tax was reduced to 3 cents.



WHAT THE AMERICAN AUSTIN LOOKS LIKE

Long popular abroad, the "Baby" Austin—redesigned for the American trade—is out to capture the second-car market. With a wheelbase of 75 inches, it is over 2 feet shorter and 16 inches narrower than any American car. It weighs only 1,130 pounds, runs 40 miles on a gallon, costs $445 f.o.b. Butler, Pa. The roadster and coupe (illustrated) accommodate 2 passengers. A delivery car has 28 cubic feet of package space



International News

POLISHED OFF

The Chrysler Tower at last emerges from the scaffolding which has hidden it so long. Of polished stainless steel, its gleaming spire can be seen for miles

While states are seeking higher tax rates, income from the tax steadily increases because of the regular gain in motor vehicle registrations and use. From states already reporting, taxes collected this year have been from 5% to 33% greater than in the similar period of 1929.

That the geese are beginning to complain is evidenced by the increasing number of claims for tax refunds and the growth of gasoline bootlegging. In Colorado, for example, 12% of May collections were handed back to farmers in refunds. In other states, despite the red tape which must be unreeled to get a refund, they have reached proportions which tax collectors call "serious," and attain 20% to 30% of total collections.

Even in states where the gasoline tax is low, bootlegging is profitable, has become an organized racket. Gasoline is bought in job lots, imported without paying the tax, and is sold at cut prices.

Illinois and Indiana have established reciprocal relations to check bootlegging; other states are considering this way out.

Ford's "Demolition Line" Makes Junking a Fast, Thorough Job

THE same attention to waste elimination, to mechanization, to continuous processes which characterizes the manufacture of Ford cars is being given to the job of demolishing Ford cars. A recent announcement states that Ford's widely heralded junking plan (*The Business Week,* March 19) has proved successful; that 18,000 cars have passed down the demolition line; that 120 men at the River Rouge plant dismantle 375 cars every 16 hours.

Dismantling operations are set up in the open-hearth building. Three conveyors are employed: one for dismantling Fords; one for other cars; a third for carrying scrap iron and steel to the open-hearth furnaces and salvaged materials to waiting trucks. As junkers enter the plant, oil, grease, and gasoline are drained and salvaged. The cars are placed on a progressive conveyor where headlight lenses and bulbs are recovered; spark plugs and battery removed; glass salvaged and, in progression, the entire car taken apart.

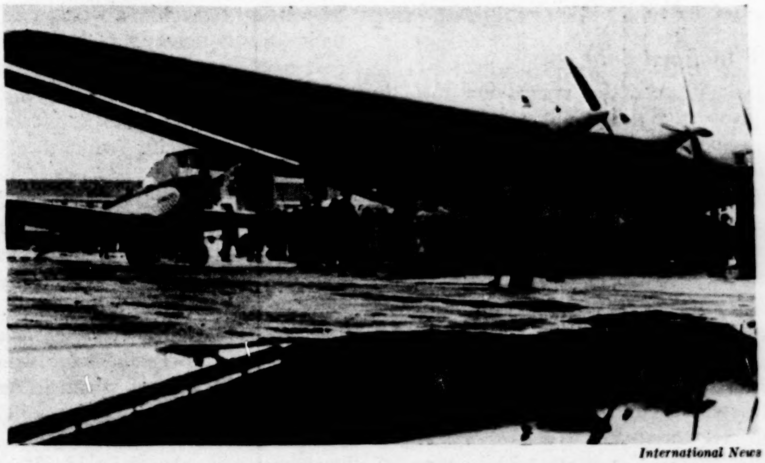
Whole glass is cut into useful sizes, broken bits are remelted. Cotton and hair from upholstery and roof are separated, baled and sold. Muslin from car tops and better grades of upholstery covers is made into buffer and polishing wheels Imitation leather is made into aprons for use in shops; small pieces become hand pads. Gasoline tanks are pressed and baled for recovery of terne steel. Compressed air wrenches running in reverse unscrew wheel nuts. Tires with good treads are sold as seconds; others are cut in giant shears and sold as old rubber. Rims become furnace scrap.

Horns are salvaged, as are hub caps for aluminum, ignition wire for copper, oil cups for brass, bushings for bronze, and other bearings for babbitt. All metals are kept separate.

Flames Cut Motors Out

Near the end of the conveyor line motors are cut from frames with oxygen torches and Ford engines are further dismantled by automatic machinery to salvage the various materials used. Multiple-screw presses, similar to those used in assembly lines, operate in reverse; unscrew bolts in face of transmission on fly wheels, press the drive shaft out of the transmission, strip bushing from the shaft, and take the bronze bushing from the clutch. Other presses force bushings out of drums and gears and remove wrist pin and bronze bushings from pistons.

What is left of the car continues on a conveyor underneath a 22-ton press which crushes it like a stepped-on match box; the remains are transferred to the third conveyor which carries them to the furnace.



International News

BIGGER AND BETTER PLANES

How the giant Junkers G-38 looked at Tempelhofer Field, Berlin, before taking off for Paris. This largest land plane carries its four engines within the wings. Compare it with the little two-seater underneath

Courts Asked to Divorce Shippers and Railroads

No industry in the United States will be permitted to retain ownership, control, or operation of the railroad serving its plants if the courts support the government's attempt to put the commodities clause of the Interstate Commerce Act into reverse English.

The attempt was initiated this week when the Department of Justice sued for a writ of mandamus to restrain the Elgin, Joliet & Eastern, owned by the U. S. Steel Corp., from transporting in interstate commerce the products of the Steel Corporation and those of its subsidiaries.

Aimed at Coal Carriers

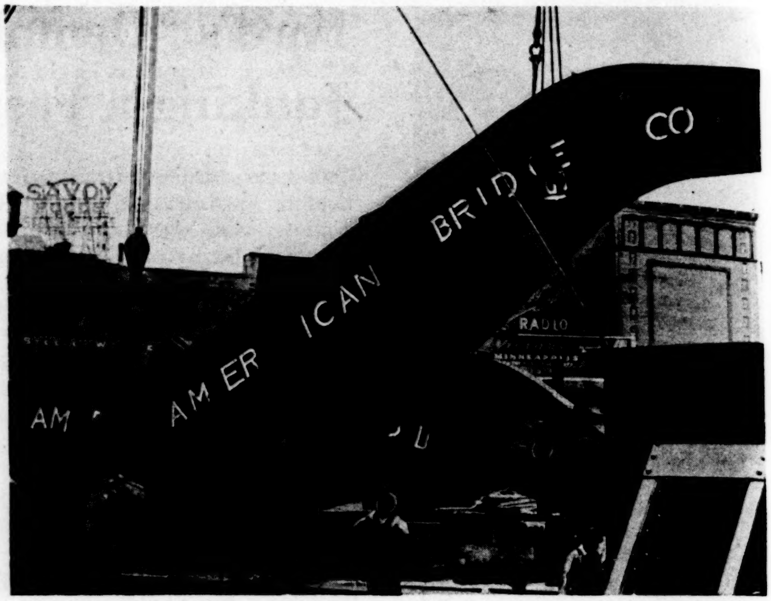
The commodities clause in the I. C. C. Act prohibits a rail carrier from hauling freight in which it has a commercial interest, either direct or indirect. This clause was enacted in 1906 to take such roads as the Reading and Delaware & Hudson out of the commercial coal business. There was no thought at that time, however, of prohibiting an industry from owning an interest in the railroads which haul its freight or that of its subsidiaries.

The coal-carrying roads complied with the letter of the commodities clause by placing their business in the hands of separate subsidiary companies, but if the courts decree that an industry cannot ship out its products over its subsidiary railroad, the only alternative may be to sell out all interest in the road. The logical purchaser, of course, would be the connecting line which receives the freight from the railroad that must be sold.

Why Ford Sold Out

It is generally understood that the prospective litigation was one of the principal reasons why Henry Ford sold the Detroit, Toledo & Ironton. The I. C. C. always has been somewhat opposed to an industry's controlling roads serving its plants. The test case will undoubtedly be carried to the U. S. Supreme Court to get a final determination.

The Steel Corporation controls the Bessemer & Lake Erie and the Duluth, Missabe & Northern in addition to the Elgin. International Harvester controls the Illinois Northern. The status of plant facilities which are not common carriers in interstate commerce is not affected by the pending litigation of the E. J. & E. case.



Underwood & Underwood

CHICAGO GETS ANOTHER BRIDGE

This one crosses the river at Wabash Avenue. These girders weigh 80 tons each. They were so heavy the city would not allow them on the streets and they had to be floated into position by barge

The I. C. C. Casts Its Vote For Railroad Competition

That's the Real Significance of Its Approval Of a Link Between Western Pacific and Great Northern

DREAMS of two great railroad magnates, the late James J. Hill and the very-much-alive Arthur Curtiss James, are about to be realized, and the attempts of the Van Sweringens to acquire a western link for their near-transcontinental system appear to be frustrated, in the decision of the Interstate Commerce Commission this week granting authority for linking the Western Pacific with the Great Northern.

Actually, the decision has no direct relation to the prospective extension of the Cleveland brothers' Missouri Pacific system to the coast through acquisition of Western Pacific (*The Business Week*, May 28, 1930). The effect, however, is to make Western Pacific more valuable to its owners, chief of whom is Arthur Curtiss James, as a connection of Great Northern to the north than of the Van Sweringen system to the east. Western Pacific can work both lines now and may become a railroad of far greater strength and earning power than its career to date has indicated.

Work will be started immediately on the 200-mile connection from Keddie, Calif., to Klamath Falls, Ore. Great Northern will build southward 88 miles; Western Pacific northward 112 miles. Total construction costs, $14,000,000. Competition with Southern Pacific's Shasta Route will be an important factor in the new line, while traffic will also be created in a region not now served by any rail carrier. No amount of business depression, Arthur Curtiss James told *The Business Week*, will halt construction of the connecting link.

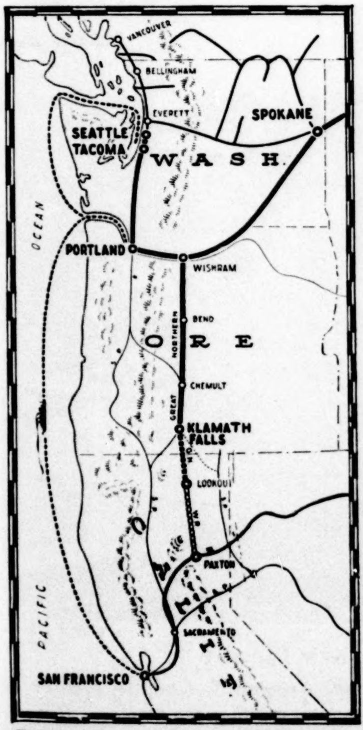
Discussing the results of the extension, W. P. Kenney, vice-president of the Great Northern, said:

"A second rail link between San Francisco and Portland will be created, affording the Pacific Coast states competitive rail facilities for the first time for the entire distance between Canadian and Mexican boundaries. A direct rail link between San Francisco, Spokane, and the inland northern tier of states will be created which, it is believed, will develop an important commerce between those sections and California. Between Sacramento, Calif., and Spokane, Wash., the new route will be 120 miles shorter than any other. A third, and more direct, rail artery will be created between the Pacific Northwest and the states in the lower Mississippi Valley."

Through the Great Northern's interest in the Spokane, Portland & Seattle, the Oregon Electric, the Oregon Trunk, the Burlington, the Colorado & Southern, and the Fort Worth & Denver, and through Western Pacific's interest in the Denver & Rio Grande Western, a large network of new traffic channels will be opened. Great Northern passenger trains will go from Chicago to San Francisco via St. Paul and Minneapolis—a new northern route for transcontinental travelers.

Southern Pacific vigorously opposed the extension, contending that its own line, with branches to be built when and where needed, is adequate to handle whatever business may arise.

The new line represents one of the most important pieces of new railroad construction authorized in recent years, not so much because of its length or cost, but because it definitely points to the stimulation of competition between important railroads as a matter of public policy.



Where the new line will link the Great Northern and Western Pacific

Taplin Makes a Railroad Puzzle Look Like a Fifth System

Would Link Wheeling, P. & W. Va., Western Maryland, Wabash, and Lehigh in a Lakes-to-Tidewater Route

FRANK E. TAPLIN, the Pittsburgh and Cleveland coal and railroad man, answered several Middle Western riddles by raising several more in his testimony before the Interstate Commerce Commission last week. Taplin has been hibernating since he sold his stock in the Pittsburgh & West Virginia railroad to the Pennroad Corp. in the market crash last fall. He emerged in Washington with the announcement that negotiations are almost completed whereby a Taplin company will buy the Pennsylvania's controlling interest in the Wabash and Lehigh Valley railroads. With these and other roads he would then set up the fifth eastern system the commission has recommended.

Taplin explained that the Pennroad Corp., the Pennsylvania's financial filial, had in fact bought most of the Pittsburgh & West Virginia's stock, but that he and his brother, Charles Ferrand Taplin, Cleveland attorney, continued to control the property. He refused to disclose the price he received from Pennroad. He will have to do so ultimately, however, for the I. C. C. subsequently ordered it. The Pennsylvania's recent protest on the construction of the P. & W. Va.'s 6-mile Donora extension had been completely mystifying after the Pennroad's purchase of its stock. The P. & W. Va. is completing its 18-mile extension to connect with the Western Maryland at Connellsville, Pa., making possible, with the Wheeling & Lake Erie, a new route from Lake Erie to Baltimore avoiding Pittsburgh congestion. The Pennsylvania had also opposed, unsuccessfully, this piece of construction.

Didn't Name Backers

Taplin did not explain who were his backers in the suddenly freshened fifth system. They probably include the coal and steel men and representatives of old Pittsburgh fortunes who have followed him thus far, together with William C. Atwater of New York, Clarence K. Reynolds of Louisville, Ky., and William M. Williams, Wabash chairman.

In Ohio and Pennsylvania Taplin has been suspected for some time of being a little brother-in-law of the Pennsylvania. His sale to Pennroad seemed to confirm it. His project for an industrial system extending from the Pittsburgh coal seams eastward to tidewater and northwestward to the head of the lakes dates back to his acquisition of the Pittsburgh Terminal railroad. George Gould had built this line in 1907 at a cost of a $1 million a mile to connect his sprawling Wabash with Western Maryland. Taplin bought it in 1923 because he thought he could run it better than the management did, also because he saw it was the key to the solution of the independent railroad problem around Pittsburgh. He segregated the coal mines into the Pittsburgh Terminal Coal Corp. and renamed the road the Pittsburgh & West Virginia.

Tried to Get Wheeling

Taplin had hoped also to get the Wheeling. He had been office boy to John D. Rockefeller in John D.'s last years in Cleveland, but when he tried to buy the prior preference shares of Wheeling, his old boss sold them to another friend, O. P. Van Sweringen. The New York end of the struggle for Wheeling control was a little Northern Pacific corner in February, 1927. Taplin emerged with a majority of the common, which he still has, but the prior preference is the stock that votes until back dividends are paid. The Van Sweringens had to have the Wheeling to build the entrance to their new Cleveland terminal, without which the terminal would have been the "engineering monstrosity" their lawyers described in the long legal struggle which followed with Taplin. The Van Sweringens recently won the case in the United States Supreme Court.

The Van Sweringens were ordered by the Commerce Commission last year to trustee their Wheeling control. The road is now run by the Governor of the Federal Reserve Bank of Cleveland as trustee, though the Nickel Plate has been asking to get it back. The Van Sweringens want to keep the Wheeling what it always has been, an arm from Lake Erie down into the Pennsylvania Railroad's territory, and they have their own lakes-to-tidewater routes in the

Chesapeake & Ohio and the Erie. Taplin wants to link it with the Western Maryland through the P. & W. Va., with the Wabash, and with the Lehigh Valley. The Pennsylvania would want some trackage rights on the P & W. Va., but these, he told the commission, can be arranged.

If the grander plan is not feasible, Taplin would buy the Wheeling stock from the Nickel Plate and the Western Maryland stock from the Baltimore & Ohio and fall back on his original idea. He is interested also in lakes shipping and Lake Superior coal docks and in Ohio river coal movement. He would move coal and steel two ways by rail and three by water.

Railroad Equipment Next On Russia's Order List

American Companies See New Contracts Ahead As Soviets Speed Up Transportation Program

THERE is a lull in Soviet purchasing in the United States but no indication that future business is permanently to be transferred to Germany and England. With domestic tractor plants beginning to produce on a large scale, it is probable that a larger portion than heretofore of the Soviet orders placed in the United States will be for other machinery and railroad equipment.

Signs which have been picked up and discussed in business circles include the announcement from the Amtorg Trading Corp. that a Bureau of Transportation has been organized with offices at 249 Fifth Avenue. No orders have yet been placed in this country. Optimism among railroad equipment manufacturers springs rather from the statements that have come out of Moscow since the return of D. E. Sulimov from his tour of inspection of American railroads. With the new Commissar for Transportation, M. Rukhimovich, concurring, they have declared that the Soviet government has discovered the vital importance of speeding the transport program, that Russia's vast area with long runs is specially suited for United States railroad equipment and methods, that advice from Visitor Ralph Budd will be valued.

A Chicago Office?

Rumored on the street, but unconfirmed at the Amtorg offices, is the statement that a Chicago office will be established during the summer to supervise increasing purchases in Middle Western manufacturing centers. Rockford, Ill., thriving machine tool manufacturing center, last year sold to the Soviets products valued at $1,200,000. The pessimistic hastily called attention to the fact that Soviet purchases in the United States in May scarcely passed $3 millions, that two orders alone in England were reported to be worth $6 millions.

Slack times have stimulated speculation over possible orders from Russia. Scheduled in the Five-Year Plan were expenditures for railroads totaling $3½ billions. Of this amount, about 60% was to go for reconstruction of existing lines which had fallen into a state of disrepair during the Revolution, or which could not be operated because of the destruction of bridges. Under the Plan, 3,000 new locomotives would be needed and 160,000 2-axle freight cars. An automatic coupler system was to be introduced, and automatic brakes installed on all rolling stock.

Like many other parts of the Plan, the transport section has been found inadequate, has been revamped with expansions which will call for almost double the expenditures at first announced. The recently revised program for transportation calls for the construction of 14,000 miles of railways to be begun within the 5-year period, 13,000 miles of which are to be completed during that period. About 40% of the new railways are predominantly of industrial importance, about 55% of importance to agriculture. During the current fiscal year, 5,000 miles are scheduled for construction.

Which is likely to bulk larger—actual orders for equipment from this country to supplement the rapidly expanding output at home, or technical assistance contracts—is still uncertain. What has stirred the interest of American business is the decision of the Russians to adopt American railroad methods and standards rather than the technique and equipment standards of neighboring European countries. Significant developments may soon be coming from this newest technical bureau of the Soviets in New York.

Pacific & Atlantic

IVORY LAUNCHES A NEW FACTORY

Ground-breaking for the new $5,000,000 Procter & Gamble factory at Long Beach, California, was attended by several thousand. Here, Harriet Hauge, daughter of the mayor, sends a symbolic ship of soap into the waters of the Pacific

International News

Frank E. Taplin

He doesn't like cameras, and this is the only known picture of him. He sold his stock in the Pittsburgh & West Virginia R.R. to Pennroad. He won't tell the Interstate Commerce Commission what he got for it. He did say that a Taplin company would buy Pennsylvania's control of the Wabash and the Lehigh Valley in order to set up the fifth eastern system recommended by the I.C.C.

Two More Textile Firms Decide to Close the Gap

Two more big textile companies, The Nashua Manufacturing Co. of Nashua, N. H., world's largest blanket-makers, and the Wamsutta Mills of New Bedford, Mass. are going to sell direct, instead of through an agent as heretofore. Nashua takes into the factory Robert Amory, resigned from its former agents, Amory, Browne & Co.; Wamsutta puts a New York office in charge of Arthur R. Johnson, partner in Ridley, Watts & Co., its selling agents, now retired.

The textile industry was impressed, not convinced, when Pacific Mills decided 2½ years ago that it was all wrong to have production and distribution handled by, not simply two separate departments of a company, but by two separate companies, and withdrew from a contract with Lawrence & Co., their agents, to sell direct. It attaches more significance to the similar decisions of Nashua and Wamsutta, following the tryout of that first experiment.

Those Business Men May Report That Shipping Isn't a Business

The President's Committee Will Have a Hard Job Untangling Our Snarl of Subsidies and Politics

The President's committee of outstanding business men to deal with the goverment shipping policy snarl—which the Associated Press facetiously calls "the Committee-of-the-Month for June"— is half appointed. H. G. Dalton of Cleveland, Ira A. Campbell, counsel for the American Steamship Owners' Association, and Clarence M. Woolley, chairman of the American Radiator Company, will be 3 of the 6 members.

The committee, when completed, is expected to report in 60 days on the knotty questions relating to the sale of Shipping Board vessels, and possibly may say something about the equally difficult problem of awarding mail contracts. The central issue is whether present operators of Shipping Board vessels shall have preference in the sales of such ships and in mail subsidies. Congress failed to act on the various bills intended to settle this question. The only amendment to the Merchant Marine Act so far passed for the stimulation of shipping is that providing shipbuilding loans at lower rates.

Pending action by Congress, President Hoover this week signed a specific joint resolution authorizing acceptance of the bid of the Mississippi Shipping Co. for the contract to carry mails from Gulf ports to the east coast of South America. The Munson line had made a lower bid, but the Mississippi Co. had purchased Shipping Board vessels for this service and therefore felt entitled to the contract, which was awarded it. This contract calls for a subsidy of $560,000 for the first year, with increased pay as replacements are added to the fleet. Congress made the special exception in this case, under sponsorship of Senator Ransdell of Louisiana, pending passage of general amendments to the Merchant Marine Act.

Notwithstanding the failure of general legislation in Congress, the Shipping Board finds that the government policy of stimulating shipbuilding has had some benefits as regards employment. Reports from four shipbuilding companies show a gain of 21% in the number of men employed in the yard on May 1 as compared with July 1, 1929.

At the Baltic and International Maritime Conference recently closed in Copenhagen a resolution was offered protesting against shipping subsidies, especially against American efforts to build up overseas trade by means of overpayment for carrying mail. The resolution was carried, but Commander Robert C. Lee, vice-president of the American Scantic Line, vigorously defended American policies in true American style. He said it was not the efforts of shipowners that brought about passage of favorable shipping laws but realization that an adequate merchant marine was essential. The United States is determined to build up a merchant marine regardless of the international aspect of world shipping; "120 million Americans couldn't be wrong." The taxpayers' investment in the American merchant marine is of negligible amount considering the resources and wealth of the United States, he insisted, and the plan must be looked upon as a very moderate insurance premium guaranteeing national security. When he was asked by the conference to present a protest for it against the tariff he said that the new tariff would actually increase our foreign trade rather than decrease it.

Rates 23% Off

Meanwhile freight shipping rates, according to the London *Economist's* index, have fallen nearly 23% below last year and as much below pre-war. The world's idle tonnage is at nearly record figures.

In the passenger-carrying traffic on the Atlantic the outlook for success in operation without government subsidy is even more hopeless. The *Bremen* and *Europa* have added space for 57,000 passengers per year in eastbound traffic. France last week announced plans to lay down a new superliner 1,000 feet long, 60,000 tons capacity. The United States Lines has contracted to build two ships of 50,000 to 60,000 tons each. The *Oceanic* of the White Star is 60,000 tons more and the Cunard Line is planning a ship of another 60,000 tons. These new ships will provide space for about 130,000 passengers.

Eastbound passenger traffic on the

North Atlantic last year was about 500,000 passengers, only 70% of the pre-war figure. Even at that, the ships have been running, on the average, less than 30% full.

It is evident that whatever shipping and shipbuilding are, they are no longer a business in the usual sense. In the tangle of politics, naval strategy and patriotic rivalry which seems to dominate shipping policy in our own and other countries it is doubtful whether the President's committee of business men will feel very much at home.

Canadian Pacific's New "Empress" Joins Fight for Orient Trade

WHEN the big white *Empress of Japan,* completing the first half of her maiden voyage, slipped smoothly up the St. Lawrence to Quebec this week, the Canadian Pacific Steamship lines were ready to meet the challenge of the United States for the lucrative trans-pacific business. After a round-trip voyage on the Atlantic, she will head for the Pacific—there to round out the service now maintained between Vancouver, Honolulu, Yokohama, Shanghai, Hongkong, and Manila by the other *"Empresses,"* the *Canada, Russia,* and *Asia.*

With the ever-growing volume of exports to the Orient—automobiles, manufactured goods, railway equipment —competition is increasing in the Pacific and three lines, the Dollar (U. S.) the Nippon Yusen Kaisha (Japan) and Canadian Pacific (Canada) are strengthening their fleets, while the Matson Line (U. S.) is doing likewise in its route to the Antipodes.

Eastward, the movement of silk to the United States calls for faster and faster ships. Interest charges, insurance, and inventory on silk accrues at an astonishingly rapid rate and the cutting of two or three days from the trans-pacific crossing seems so important to American buyers that the fastest ships get the cream of the business.

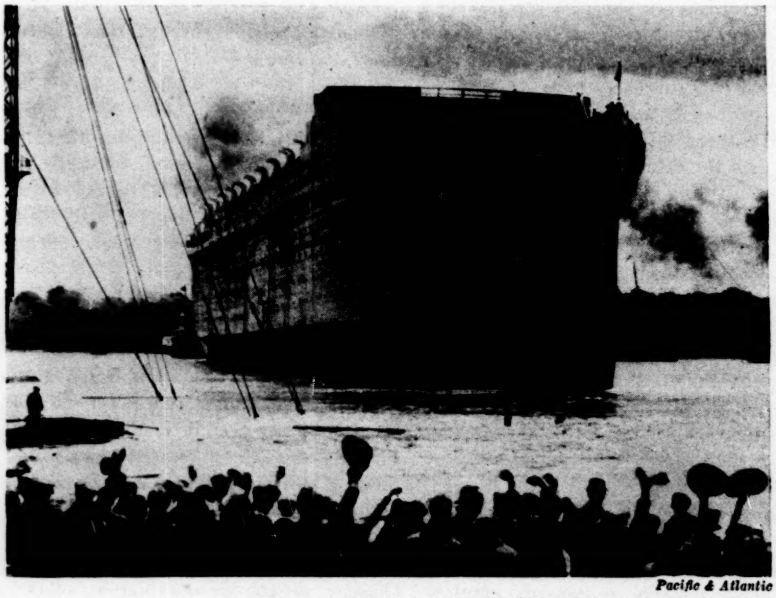
Already, the Japanese Mail Steamship Line (N. Y. K.) has added three motorships, *Tatsuta Maru, Chichibu Maru* and *Asama Maru* (16,800 gross tons) to the San Francisco-Orient route, and three cabin class motorships (a new classification in the Pacific although already popular in the Atlantic) to the Seattle-Orient Line. The latter, *Hiye Maru, Hikawa Maru,* and *Heian Maru,* 11,600 gross tons each, supplement the large and modern fleet now maintained by the Japanese company.

Now comes the C. P. R.'s *Empress of Japan*—26,000 gross tons, largest liner in the Pacific, 666 feet long, with a speed of 22 knots, capable eventually of making approximately an eight-day eastward crossing.

Tardily, but none the less energetically, American lines are entering the fray. Captain Dollar will have two turbo-electrics of 21,000 gross tons in the trans-pacific run in a year or so. Plying from San Francisco to Australia, the Matson Line will also add two new steamships of 18,500 gross tons.

Passenger business in the Pacific does not keep pace with the increased number of ships, but with new markets for American products, commercial travel to the Orient, Australia, and other ports across the Pacific will rectify this situation, shipping companies aver.

As in the Atlantic, a speed war is developing. Present record, Yokohama-Vancouver, is 8 days, 11 hours, held by the *Empress of Canada.*



Pacific & Atlantic

THE CANADIAN PACIFIC ENTRY IN THE ATLANTIC RACE

Launched by the Prince of Wales, the Empress of Britain is destined for the Quebec, Cherbourg, Southampton crossing. She is 42,500 tons, the largest British ship since the Aquitania left the ways in 1914

Mexico's Trademark Law Has Three Interpreters

IF an American company does not "protocolize" its charter and by-laws in Mexico nor register in the Commercial Registry of the Republic, it "lacks judicial personality" and cannot appear in a Mexican court to sue for an infringement of its trademark. So said the Third Chamber of the Supreme Court of Mexico when the Palmolive Company undertook to stop an infringement.

Relying on that decision, Enrique Munguia, who as representative of Chickering & Company of Boston had registered that company's trademark but later left its employ, undertook to enjoin the sale of Chickering pianos in Mexico claiming he owned the trademark and that the company lacked judicial personality and therefore could not stop him. Now the First Chamber of the Supreme Court says that Chickering & Company *can* sue in a Mexican court even though it has not "protocolized."

This First Chamber of Mexico's Supreme Court is the Penal Chamber; the Second Chamber is the Administrative Chamber; the Third Chamber, which handed down the Palmolive decision, is the Civil Chamber. Apparently, each Chamber can, and does, make its decisions independently and without regard to their consistency with the decisions of the other divisions.

Burroughs

THE TYPEWRITER ACCOUNTING MACHINE IS ONE OF MANY TYPES OF BURROUGHS MACHINES THAT SIMPLIFY THE HANDLING OF PAYROLL AND TIME-KEEPING RECORDS.

HANDLES THE COMPLETE PAYROLL

So flexible is the range of Burroughs machines that they may be adapted readily to any wage payment plan, whether cash, check or bank deposit. Among these machines are many that handle such jobs as the following, in one operation . . . .

1. ***Extend time tickets, compute individual earnings, post earnings record, and also compute group earnings.***
2. ***Write employee's wage card, pay check, pay statement and payroll sheet.***
3. ***Write the pay envelope with detail of earnings, deductions and net pay, including the cash receipt and payroll sheet.***

There are also Burroughs Automatic Labor Distribution Machines that greatly simplify distribution of charges to jobs, order number, departments and other classifications. . . . .

For information or demonstration call the local Burroughs office, or write

Burroughs Adding Machine Company, 6157 Second Blvd., Detroit, Mich.

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In going through our factory today you will see more kinds of electric fans than you probably knew existed. Fans in gangs of seven for controlling the temperature in giant brooders in which 100,000 chicks can be matured to plump frying pan size *at one time* with twice the speed of Nature! Enormous ceiling fans, five feet across, for the sweltering palaces of oriental potentates. Blower fans, the lungs of mighty organs that give voice to pæans of glorious music. Tiny fans for keeping your car warm in winter—decorative new style fans to harmonize with modern homes. Fans are a fine art here at Robbins & Myers. We have been building them these thirty years for every purpose under the sun that requires a draft of air. Indeed, you can not stump us by asking for a fan that blows both hot and cold, for we even build them to do that! . . . . . .

If you have a problem in electrical-motored machinery, come to Robbins & Myers. We offer you the facilities of a completely modern plant, and the experience of 32 years' precision manufacture in designing, building and applying electric motors, generators, fans, and electrical appliances

Robbins & Myers, Inc.

Springfield, Ohio **Brantford, Ontario**

1878 **1930**

MOTORS, FANS, HAND AND ELECTRIC HOISTS AND CRANES

Wide Reading

The Nemesis of American Business. Stuart Chase. *Harpers*, July. Sharp observations, seasoned reflections, and concrete suggestions to remedy unemployment.

Jobs by Hand. Royal Barry Wills. *American Architect*, June. When shall we develop twentieth century materials and methods to replace bricks laid by hand, wood sawed and nailed by hand, paint mixed and applied by hand?

The Future of the Large City. Warren S. Thompson. *American Mercury*, July. Another invective hurled at Big City life—and an appeal made for decentralization of industry.

Frosted Foods Open Permanent Nation-Wide Market for Perishables. Colby M. Chester, Jr. *Sales Management*, June 21. General Foods completes an experiment, plans to introduce to the public the refrigerated showcase.

Cash and Carry. Samuel Crowther. *World's Work*, July. Keen survey of our $5 billion chain-store industry.

American Industry Abroad. Louis Domeratzky. *Foreign Affairs*, July. Pre-analysis of new international alignments in financing; Department of Commerce investigation to be reported later.

The Florida of the North. Dane Yorke. *American Mercury*, July. Booster logic in New England is unbecoming. Unfavorable effects which have come with $240,000,000 a year.

American Sports and American Life. John R. Tunis. *The Nation*, June 25. Highly commercialized sport is ruining a healthy attitude among players—may affect American living.

Japan at Home and Abroad. Henry Hellssen and Arnold Toynbee. *Living Age*, June 15. A German and a Briton see no future for Japan in Asia.

State Pensions and Old Age Dependency in Great Britain. E. M. Burns. *Political Science Quarterly*, June. Scrutiny of a system well under way.

Big Banks out of Little Ones. John T. Flynn. *New Republic*, June 25. Significance of the present movement toward mergers, branch, and chain banking.

Men Who Are Worth Big Salaries. Merle Crowell. *American Magazine*, July. Owen D. Young speaks on the qualities which make key men in industry.

Aristocracy Still the Ruling Class in England. Harold J. Laski. *Current History*, July. Shrewd and enlightening observations not inimical to business interest.

A Score Card for Testing Applicants for Advertising Jobs. Francis Juraschek. *Printers' Ink*, June 19. Valuable check on some "bargains" in today's flush employment market.

Are Politics Befogging the Real Facts About the Tariff? Franklin Johnston. *Sales Management*, June 14. The decline in exports this year is not due to tariff reprisals. Export figures analysed.

Joseph Urban. Arthur Strawn. *Outlook*, June 18. Character sketch of one of the foremost designers in New York—listing some of his most spectacular accounts.

Is the Labor Department Going to Be Hooverized?

Opportunity to Broaden and Strengthen It Is As Great as Commerce Department Offered

WASHINGTON and the rest of the country are wondering whom President Hoover will appoint Secretary of Labor when fulfillment of Mr. Davis' senatorial aspirations leaves the office vacant. Interest is not so much in the personalities involved, as in whether the President will grasp the opportunity to make the Labor Department the dynamic force in labor that the Department of Commerce has been in industry since he transformed it.

It is pointed out that the Act of Congress creating the Department of Labor in 1913 gives it just as much latitude as Mr. Hoover read into the organic act of the Commerce Department; and much the same condition prevails now in the Labor Department as obtained in the Commerce Department when it was taken over by Mr. Hoover.

Its Duties Defined

As defined by Congress, the purpose of the Department of Labor is "to foster, promote, and develop the welfare of the wage-earners of the United States; to improve their working conditions and to advance their opportunities for profitable employment." Operating under this franchise, a department head of ability and initiative, similar to that shown by Mr. Hoover in the Department of Commerce, could easily make of the Labor Department a real, vital force in labor matters—something few of its best friends claim for it now.

Manufacturers Hostile

To accomplish this purpose, President Hoover's appointee must be a man who is capable of removing criticism, either real or implied, that the Department of Labor is for labor and nobody else. His name must be a guarantee against partiality. Probably the biggest job that is awaiting him is the development of the federal employment service. The collaboration of labor and management is absolutely essential to eliminating waste in distribution of labor supply and the recurrent periods of distressing unemployment.

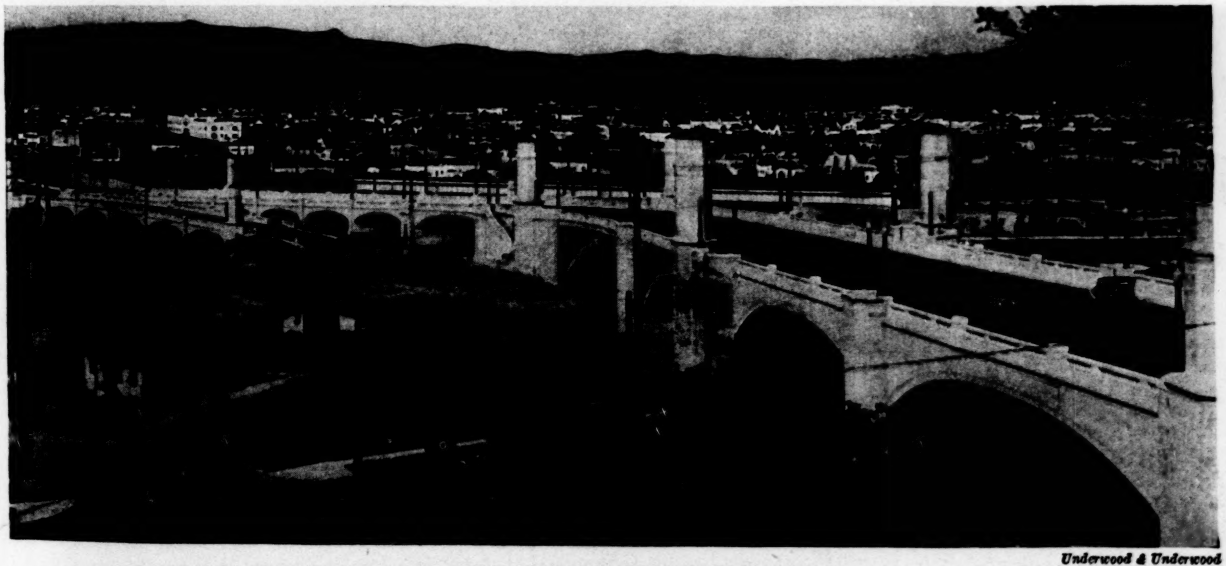
Manufacturers have resisted any effort to build up this service, because they feel that during wartime, when they could not protest without impugning their patriotism, the department was used against them to unionize labor. This is at the back of their opposition to Senator Wagner's proposal for expanding the federal system of clearing labor. They emphatically will not get behind such a program until assured that it will be absolutely non-partisan, non-political.

The Commerce Department's contribution to industry rests to a large extent upon the statistical services developed for synchronizing production and consumption. Although statistical service also is the principal feature of the Labor Department's promotional activities, it has fallen down because of failure to grasp the conception of labor as consumer as well as producer. Pleading poverty, the department has carried on its statistical work perfunctorily, without sensing that the means for "advancing the opportunities of profitable employment" by increasing production and reducing labor costs can only be discovered by the statistical X-ray.

Role of Statistics

Comprehensive and accurate statistics on unemployment will serve not only to guide management but also to protect the welfare of the wage-earner by revealing the trend towards recession when there is adequate time to bring into operation stabilizing plans, such as the construction of public works, that also should be the responsibility of the Labor Department.

Also, because of the workingman's dual role of consumer and producer, the cost of living (the family budget) should be subject to a continual check. There are figures of a sort now but they tell us little because the bases, 1914 and



Underwood & Underwood

LOS ANGELES' NEW TRAFFIC UNTANGLER

The Hyperion Bridge, for all its apparent complexities, simplifies a difficult traffic situation. It permits traffic to flow uninterrupted in eight directions without a single red light

You can have this Modern Head on Your Shower!

It will give you a full-flood shower — a fine healthful needle bath and all-between degrees of shower force and volume by a turn of the handle . . . And it can never stop up

Besides curing such shower conditions as lack of force and stopped-up heads, this new Speakman Any-stream Self-cleaning Shower Head will actually give you a drenching needle bath on all water pressures, even as low as 10 lbs. Such a bath is a fine help for tired muscles and jaded nerves.

Your plumber will put this head on for you—no trouble or bother. And, if you are installing a new shower, make sure it has this latest of shower conveniences, the K-3395 Shower Head.

The Speakman Company makes every type of shower for residences, clubs of all sorts, institutions and industrial plants.

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SHOWERS & FIXTURES

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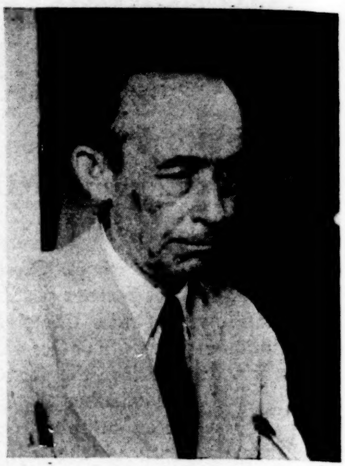
1917, have long since become academic. Besides revealing the current cost of living, the Labor Department's statistical research should disclose how people are spending their money. Nothing is more important to stabilizing the cycle of production, distribution, and consumption than a precise knowledge of the variation in the proportions of the consumer's dollar that are spent for food, clothing, housing, transportation, recreation.

These are a few of the directions in which it has been repeatedly suggested that the Labor Department could contribute to the mutual benefit of capital and labor. A man with initiative and vision quickly will discover many others.



Acme

GUARDS THE MAILS IN CUBA

Major James H. Knox, only resident foreign agent of the Post Office Department, manages the U. S. mails in Cuba

Those European Fords Got Off to a Good Start

AT the end of the first year of operation—1929—the far-flung interests of Ford Motor Co. in Europe showed uniformly good results according to a summary of financial returns compiled by *The Wall Street Journal*.

The Ford Motor Co., Ltd., of England, which holds 60% of the shares of most other European Ford companies, declared net dividends for 1929 amounting to $5 millions on a capital of about $35 millions. Ford Motor Co. of France, with a capital of about $5 millions, had net profits of about $1,326,000, paid a 10% dividend. German Ford earned over $500,000 or 14% on capital, and paid a 10% dividend. The Danish Ford Company, which also owns shares in Swedish Ford, earned about $1½ millions—27% on capital of 30,000,000 crowns—but has paid no dividend. Swedish Ford earned about $360,000—some 34%—and paid a 10% dividend. Ford Motor Co. of Holland, with capital of about $2 millions, had net profits of $750,000. Belgian Ford earned 38% on its 100,000,000 Belgian francs capitalization, paid stockholders a 13% dividend. Spanish Ford earned $600,000; paid a 10% dividend. Ford of Finland earned 2,500,000 Finnish marks, also paid a 10% dividend to stockholders. Several of these companies also wrote off heavy charges for patents, depreciation, and good-will from this first year's earnings.

The record is all the more remarkable because the Ford program in Europe is only beginning. The new plant at Dagenham near London which will produce 200,000 cars annually is still unfinished, will remain so for another year at least; other projects at Cologne, Rotterdam, Antwerp, and Stockholm are expected to increase Ford activities when completed. The Dagenham plant will be the general feeder for all European plants and will supply them with parts and materials not available locally.

Results of the first year prove the wisdom of Ford's attempt to identify each of his foreign companies with the country in which it is located. At all stockholders' meetings the use of local capital, materials, and labor is emphasized; stockholders and the public are told that, while the company may bear a foreign name, in fact as well as in law it is a truly local enterprise.

Cigar Smoke Beclouds Cuban Parcel Post

CIGARS in 300 lots stand in the way of restoration of parcel post facilities between Cuba and the United States, suspended 2 years ago. At that time our tariff prohibited cigar importations. Cuba, not a little offended, retaliated by withdrawing parcel post privileges.

When the Hawley-Smoot Tariff Act repealed the prohibition on cigars, merchants anticipated renewed friendship with Cuban post office authorities, eventual restoration of parcel post shipments.

Then came Representative Hawley's most recent suggestion to protect the domestic cigar industry by prohibiting entry of cigars in less than 300 per shipment. Cigar and tobacco interests are hopeful. General export groups are indignant.

4,000 Miles of Big Pipe Ordered In Two Months as Boom Develops

Republic, Youngstown, National Tube Race to Get In On Roaring Market A. O. Smith Has Dominated

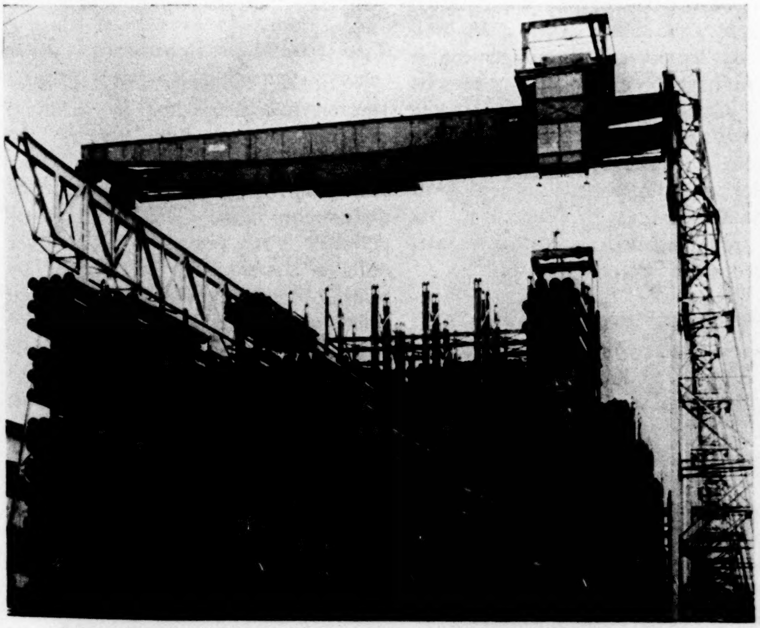
THE boom in thousand-mile pipe lines is likewise a boom in one section of the steel industry, as literally a boom as anything steel ever rode. While most of the iron trades are slack, the makers of large pipe and tubing are occupied as never before in their history. Order books are filled into 1931; premiums are being paid; sales managers are handing business to competitors.

Three months ago the line pipe section of tubular goods was as quiet as the rest of the steel industry. Today every mill capable of turning out the product is engaged in full. Line pipe is the brightest spot in America this summer, but the equipment to make it is so expensive that only the half dozen biggest fellows are in the game.

More than 4,000 miles of pipe 6 inches in diameter or larger have been ordered in the last two months; 3,000 miles more are to be ordered. Every week has its big order. Business placed since April exceeds 600,000 tons. The total of projects announced and in contemplation, their stations and distributing systems, runs into several hundred millions of dollars.

The rush for large pipe comes from the coincidence of super-gas development with the use of pipe lines to move gasoline. Before 1927 a 250-mile natural gas line was an outstanding accomplishment, but last year 400-mile lines had become commonplace. Last spring were announced the Missouri-Kansas and the Natural Gas Co. of America projects which intend to pump Mid-Continent gas 800 to 1,250 miles.

In the same weeks, inspired less by their example than by Standard of New Jersey, three oil companies decided to shoot refined gasoline through lines 300 to 800 miles in length. Gasoline will flow to the Great Lakes simultaneously from the seacoast and the Texas Panhandle.



TWO HUNDRED MILES OF PIPE

The development of new methods of manufacturing pipe has forced new methods of handling it. A. O. Smith, in Milwaukee, has perfected a welded steel crate, which stacks up like a sectional bookcase. Each crate holds a carload. Note the comparative size of the automobile in the lower left hand corner

Add to these orders a better-than-normal extension of crude oil lines, notably the Gulf line, and the reason is clear why pipe crews work nights while other forces lay off. The activity extends to the makers of compressors and such incidentals as pipe coatings.

Another way to explain the boom is to point out that improved processes have made pipe—and the sheet steel that is behind pipe—much cheaper, so that pipe lines economically impossible a few years ago now are profitable.

Pipe used to be cast, or heat welded (either lap weld or butt weld), or seamless, made by piercing a solid rod.

Otto Parpart Pioneer

In 1897, Otto Parpart, of Cleveland, devised a method of welding tube by electricity. There was no great development until Gustav V. Johnston, a Swedish-American mechanic, independently hit upon the same idea when he was employed by the American Metal Molding Co. in Chicago. He worked it out much more efficiently, made pipe about four times as fast as Parpart could. Simmons, of Simmons Bed, was not allowed to see the machine, but was allowed to see smoking hot three-inch tubing come shooting out of the box that hid the mechanism. He promptly took out a partial license.

In the Parpart and the Johnston method, the sheet stock, formed into a cylinder, by a succession of rollers finally passes under two large copper rollers carrying comparatively low voltage. The current flowing across the joint, which offers a resistance, fuses the edges of the metal and makes a weld. Furthermore, it is a smooth weld, hardly distinguishable. Johnston's early methods have been refined until pipe shoots under his rollers at a rate of 75 to 100 feet a minute. There is no theoretical limit to continuous length of pipe.

Diameters Increased

The great work in recent years has been steady improvement so that the Johnston process now can be used for big sizes. Originally it made only small diameters.

That was the first electrical process. Then came the arc welding method, invented by the A. O. Smith Co. of Milwaukee. Arthur O. Smith had a flair amounting virtually to genius for working soft steel. He developed arc welding to high efficiency in his automatic plant for making automobile frames—the famous factory "that works without men."

His sons inherited his restless energy

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THE Myrtle 3100 Line sounds a keynote of prestige in the office. It creates an impression of good taste and good judgment without extravagance. And the impression it creates is descriptive of itself. The Myrtle 3100 Line is designed and built as you rightly expect good office furniture to be—yet conforming to the requirements of the more conservative budget.

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and his ruthless policy of scrapping equipment as fast as improvements could be devised.

In the Smith process the meeting edges of the unwelded seam are beveled to form a V-groove between them, and an electric arc is struck between a steel wire and the bottom of the groove. The wire electrode is melted by the electric arc and feeds metal into the groove as the arc is moved along the seam. A single arc-welding machine can operate at about two feet a minute, but speed is achieved by multiplying the automatically controlled machines. The plant has so many machines that it has been able to turn out 32 miles of pipe a day. Another of the company's contributions was to double the length of the pipe, from 20 to a uniform 40 feet, thus saving construction costs. The arc welding process leaves a burr, but this is not considered objectionable on line pipe work.

Steel's Biggest Customers

The Smiths started with large sizes and worked down to small diameters. For a time, they had a virtual monopoly of the big pipe business. That and their frame manufacturing made them the country's largest individual users of steel.

A third method of making pipe continuously and electrically is still a secret. It has been developed by Youngstown Sheet & Tube, after many difficulties. In fact, temporary discouragement is said to have been one of the reasons James Campbell was ready to merge with Bethlehem. Youngstown will use induction, instead of resistance, as in the Johnston process, or an arc, as in the Smith process. The Smiths, by the way, are understood also to have something new almost ready to spring.

Production in July

Youngstown will be in production late in July at its Brier Hill plant, newly equipped at a cost of $2 million, making 144,000 tons of 18-24 inch pipe a year with its new process. Sheet & Tube's total output of pipe thus will rise to a million tons a year. It has been getting gasoline line business with its smaller diameter seamless tubing—as have Jones & Laughlin and Spang-Chalfant. Sheet & Tube's lapweld mills at the great Campbell works eventually will be dismantled.

Eaton's Republic Steel has the Johnston process, acquiring it by way of Steel & Tubes, Inc., of Cleveland. There is a grim race on between Republic and Youngstown. Eaton is trying to get machinery, at a cost of $5 million, installed in a new Republic plant in the city of Youngstown and begin making 16-24 inch sizes before Sheet & Tube can get going with its new induction process. Republic has encountered delays, which have chafed the not-too-patient Eaton, but seems likely to win the race by a neck.

New Competitors

For the first time, therefore, the Smith's arc weld pipe, big enough for gas lines, meets the Johnston and the new induction processes as competitors.

On top of these technical advances comes National Tube announcing that it has improved and perfected the old-fashioned piercing method of making seamless tubing so that it is prepared to make 24-inch diameters at a price to compete with the newer electrical processes.

The National Tube Co., Steel Corp. subsidiary, in April took contracts for 22-inch and 24-inch seamless pipe for the Missouri-Kansas gas line (running from Amarillo, Texas, into Indiana), which constituted the largest award for large diameter pipe up to that time. Seamless had returned with a bang. This was the goal toward which National had been working for several years, ever since the achievements of A. O. Smith had fluttered all the old-time pipe makers.

Two Attacks on Problem

National Tube had attacked the problem on two sides, first by seeking a cheaper means of making steel by direct reduction of ore at the Lorain works, second by stepping up the capacity of the piercing mills. The Lorain ore experiment is not complete, but the tube mills at Lorain and McKeesport are turning out the new large pipe on prices which crowd the other makers. Old-fashioned lapwelding mills are being abandoned at McKeesport. So fierce was National's effort to get its share of the large pipe business that an important shakeup in the staff was once credited to impatience high up.

Meanwhile National has been working on the electrically welded tube process also, and at Christy Park, Pa., it is likely that this product is soon to be made, in competition with Milwaukee and Youngstown, the two important centers of tubular welding at present.

The art of cold welding of pipe by one or all of these processes appears to some engineers to spell the doom of the much older "fire welding" of pipe for most commercial purposes.

New Tariff Cannot Affect Total of Our Foreign Trade

It Will Seriously Dislocate Certain Lines, But Fundamental Forces Are Stronger

THE new tariff will probably set up a number of new local stresses and strains in our foreign trade, intensifying some already evident, and causing a shifting in trade currents in line with tendencies already evident in recent years; but it will probably not much alter the general trend and the fundamental forces that are at work.

At most it will merely hasten slightly the process that has been going on during the past 20 years. Certain lines of American business will feel the pressure of adjustment to these processes somewhat more heavily than they have in the past; but the adjustments are inevitable anyway. Without the new tariff we might have had a longer time to make them, and they would probably have been therefore somewhat easier.

Growth Is Regular

The total foreign trade of the United States over the past 50 years or longer has tended to grow fairly regularly at about the same rate as its internal trade, that is, between 4% and 5% per annum. Price changes distort the figures from year to year, but the volume of external trade is merely a reflection of the steady growth in the volume of domestic trade. This will continue almost like the operation of a biological law.

But there have been great changes in the composition and distribution of this steadily growing volume of trade. These changes will continue. The tariff will speed them up a little; but the total volume will not be much affected. Specific industries and trade with specific countries will be.

What are these changes? During the past 10 years the United States has definitely made the transition to the position of a creditor nation. This transition was hastened by the war, which the United States financed, making the world her debtor to the amount of over $23 billions. But the trend was in evidence earlier. We should have become a creditor nation anyway in the course of time, though more slowly and on a smaller scale, simply because the United States was rapidly reaching an advanced stage of development as an industrial nation, producing more than it could consume.

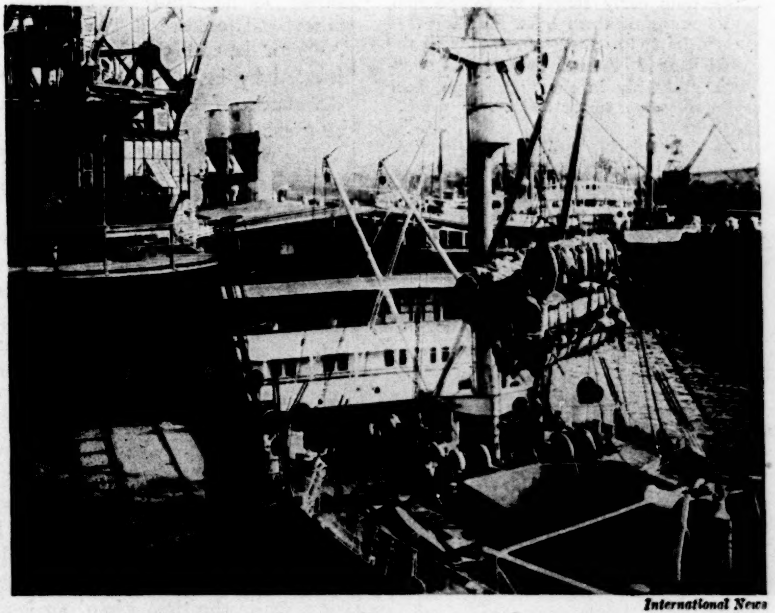
All this means simply that, as our exports grew more rapidly than our imports while we were a debtor nation, so our imports must ultimately grow more rapidly than our exports so long as we continue a creditor nation. The more the rest of the world owes us, the more income we must receive from it in the form of goods and services. The war, by rapidly increasing the world's debts to us and creating a vast amount of war loans and reparations obligations, has merely intensified and hastened this change. The new tariff will merely give it a slight further stimulus.

It will not and cannot cut down the total volume of our imports. It can only change their character somewhat, hasten the increase in imports of raw materials which has been going on for 20 years. Payment on our foreign debts, interest, dividends, and amortization on our foreign investments will come increasingly in that form. Two-thirds of all imports are still on the free list under this new tariff. Under the Fordney-McCumber tariff the proportion was slightly higher, but the reduction can make no real difference.

Silk, rubber, tropical oils, tin, bananas, tea must come in to supply our growing industrial and social requirements. High standards of living here will still demand many things on the dutiable list in spite of the tariff. Some things the United States cannot produce as cheaply or as satisfactorily as other countries. Many of these we shall continue to take in increasing amounts as payment on the world's obligations to us, in spite of this or any tariff.

100 Commodities Studied

To show what the new law is likely to do in the face of these economic factors, *The Business Week* has considered the probable effect on 100 principal commodities which made up 86% of the import trade volume in 1929. The first 16 items on the list, amounting to slightly over half the total value, either are untouched or are so little affected as to reflect no immediate upsets except some price reactions. These are, in order of importance: raw silk, coffee, crude rubber, cane sugar, standard newsprint paper, raw hides and skins, dressed and undressed furs, unrefined copper, tin bars, wood pulp, unmanufactured wool, art works, crude petrol-


International News

BREMEN—COTTON PORT OF THE CONTINENT

Second only to Liverpool as a European cotton port, the new municipal dock facilities provide warehousing for 15,000,000 bales. Here, a revolving crane, one of 36, takes off cotton from New Orleans

NO MONOPOLY PERMANENT

say Thompson and Lichtner

An organization of alert engineers, eternally watching the business horizon, fully equipped to analyze the most intricate of industrial problems—a word of theirs is deserving of consideration. Thompson and Lichtner executives have keyed their research and advisory work to the most exacting requirements of modern merchandising.

In a paper* presented at a meeting of the National Association of Manufacturers, the marketing division of Thompson and Lichtner presents the vital question of competition. They list the progress of competition through five stages:—monopoly based on environmental limitations, monopoly based on product, monopoly based on skill in manufacturing, monopoly based on skill in merchandising, and the *disappearance* of monopoly. Then they raise the question, "Can the fifth stage of competition be avoided?"

To quote a small part of the article mentioned above:—

> ". . . When a manufacturer or an industry is unable to maintain an adequate competitive advantage in one of the four early stages of competition, and many of them have not, how are they going to operate profitably in the fifth stage? And if they cannot operate profitably in the fifth stage, how can they operate at all? . . ."

This and other points are fully discussed in the Thompson and Lichtner booklet, "PROFITS versus PRICE-CUTTING." The coupon below will bring you both this and full details of the Thompson and Lichtner engineering and merchandising service by return mail. Investigate what this service can do towards solving your own industrial and marketing problems.

***"The Problems of Depressed Price Levels"**

The Thompson & Lichtner Co., Inc.
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Please send me your booklet, "PROFITS versus PRICE-CUTTING" as well as full details of your service.

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eum, burlaps, diamonds, and unmanufactured tobacco.

In order to show the effect more fully, the 100 commodities can be broken down into four groups: (1) those untouched; (2) those tampered with but to no marked effect; (3) those on which duties are lowered to the benefit of import trade; and (4) those on which duties are raised to the tangible detriment of import trade. In the first group are most of the 16 main items plus gasoline, bananas, sodium nitrate, cocoanut oil, molasses, jute, and on down to shingles, linen embroideries, and calcium cyanamide. In the second are such things as industrial chemicals, wool carpets, broad silks, and aluminum. The total of these two groups wherein the new tariff is ineffective makes up something like $3,300 millions. Add to this the third group wherein the effect is to encourage imports on items like diamonds, spices, pearls, bran shorts, and chicle, totaling $200 millions. This gives a total of $3,500 millions, or 80% of the import trade, on the 1929 basis of $4,400 millions total, either unaffected or aided by the new tariff.

20% or Less Affected

The remaining $900 millions, where the tariff is likely to cause some slacking of trade, represent long staple cotton, flaxseed, boards, fish, fresh and dried vegetables, cheese, cattle, wool fabrics, leather gloves, straw hats, almonds, castor beans, milk and cream, and others. Therefore it can be said that 20% or less of the import volume is affected by increases in the new tariff. On much of this the result will not be great.

The chief effect of the new tariff will be on our export trade. As a creditor nation our exports will grow, but they must grow more slowly than our imports, as time goes on and as the amount due us from our foreign debtors increases. The time has not yet come, and may be far distant, when our imports of commodities actually exceed our exports regularly, as they do in a full-fledged creditor nation. So far, our exports as a whole have been growing at least as rapidly as our imports, because we have still been lending foreign countries more each year than they have paid back to us. If we continue lending on a large scale we may postpone for a while the time when our imports must grow more rapidly than our exports and eventually overtake them. The new tariff will slightly hasten this process, though its effects in this way may also be offset or postponed by large-scale foreign lending.

More important than this general effect of our position as a creditor nation upon the growth of our foreign trade are the specific effects upon the composition of that trade and the particular industries involved. The proportion of raw materials and foodstuffs in our total exports has been steadily declining. This will continue, somewhat hastened by the new tariff. Agriculture, our weakest export industry, will bear the brunt of whatever relative retardation takes place in our exports.

Farmer Hardest Hit

The farmer will be the exporter who suffers most from this tariff because his products are most easily dispensed with by foreign countries. In order to pay their foreign obligations the debtor countries must restrict imports and stimulate their own exports. The debtor countries will do this most easily by restricting imports of agricultural products, especially from the United States; stimulate their home production or buy them in more favorable markets in which they can sell their own products.

The immediate effects of tariff reprisals by other countries upon our export trade are not important. There are many things these countries have to buy from us and which their people demand; just as there are things we have to buy from them. The ultimate effects of retaliation against the new tariff, however, may be important and hasten the retardation of the relative growth of our exports in two ways.

Atmosphere Unfavorable

First, the tariff has created a psychological atmosphere unfavorable to our exports and favorable to closer economic cooperation of Europe and to the development of European industries to secure greater independence.

Second, as a result, the tendency of capital and business enterprise to dig under foreign tariff walls and produce in the foreign market will be stimulated. Tariff walls do not keep out capital; they attract it. Industries like automobiles and accessories, electrical apparatus, and machinery, which find the foreign market more unfavorable to exports, will tend to carry their capital and enterprise increasingly abroad. So far as they do they must bring their earnings home to American investors in the form of increased imports.

Ultimately the great irresistible international currents of capital, incessantly seeking the highest return and moving through tariff walls, immigration restrictions and other discriminations like water through a sieve, are bound to wash out whatever differentials of wages, living standards and prosperity these obstacles may seek to establish. Neither this new tariff nor a dozen higher ones can prevent this gradual leveling-up of world prosperity or the growth of world trade.

But, in the process, great shifts of labor and capital from one industry to another are inevitable, with distress and hardship in the meantime. James B. Mooney, president of General Motors Export Company, estimates that the loss of the foreign market for the American automobile industry and the shifting of this production and capital abroad will cost 184,000 workers their jobs and about 600,000 people dependent upon them their means of support. Foreign tariff reprisals will not make this happen over night, but slow, unseen forces are moving in that direction and the new tariff has merely given them a fillip. So, likewise, ultimately millions of American farmers growing wheat and cotton will have to find other jobs growing or making other things. In this case the process has been going on for 30 years. The new tariff will speed it up greatly. Not even the Farm Board can prevent it by dumping our surplus abroad at low prices; if it does the whole American public will pay the cost.

In the long run, this or any other tariff will do nothing to international trade that would not happen anyway, even under free trade. The weak industries will still remain weak, at home as well as in the export market; the tariff will hasten, not postpone, their disappearance. The strong ones, those in which American resources, technical skill, capital and labor give the advantage, will still retain it; but they will have to work a little harder.

World's Biggest Cotton Dealer Comes from a Cotton Family

FROM a line of cotton men comes E. F. Creekmore, vice-president and general manager of the American Cooperative Cotton Association, just getting under way in New Orleans. His grandfather, a large buyer of cotton before the Civil War, became one of the most notable of the blockade runners. Despite the federal fleets, he contrived to do an extensive business with the British spinners.

The whole Creekmore family was in the cotton trade. With this background it was useless to talk to the boy of academic things, so on his graduation from high school in 1902 he hurried from Van Buren, Ark., his home town, to St. Louis, with an ambition to get a job with the biggest cotton firm he could find.

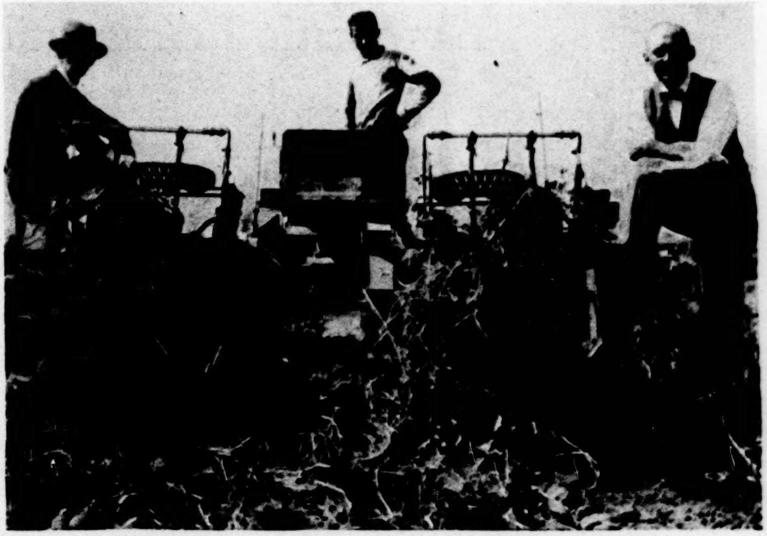
Lesser-Goldman Cotton Co. was the Anderson Clayton of that day. Creekmore got his job—as office boy. Soon he was promoted to the buyers' staff. One day he ran onto 2,000 bales of cotton in Muskogee that was offered cheap. He consulted Mr. Goldman, who had to pass personally on a purchase of that amount. Goldman feared the seller was putting something over on his young buyer, but Creekmore talked so earnestly that Goldman authorized him to go ahead. Sure of his own judgment as to the grade of the cotton, Creekmore found more like his first purchase. Before he left Muskogee, he had committed his company to buy 2,200 bales. The cotton proved all he claimed and the firm came out handsomely.

Creekmore had been slated to go to Liverpool to take charge of the company's office there, but the Muskogee deal convinced his superiors he should be put in charge of the Fort Smith office, the firm's busiest. By that narrow squeak, he was saved from the silk hat, the monocle, and the complacency that went with the Liverpool job.

Finally, in 1918, Mr. Creekmore struck out for himself, as E. F. Creekmore & Co. A 125,000-bale business was built up. Its success may be judged from the fact that while it is going out of the cotton business, the corporation must be continued to look after Mr. Creekmore's big personal interests. He is not going to be bothered with them: he is fired with a determination to demonstrate the practicability of a noble experiment in behalf of the cotton growers, for whose ills he is certain there are remedies. So this 45-year-old cotton buyer, who has been in the thick of the game since boyhood, is now in New Orleans assembling the organization that will market the bulk of the whole American crop.

London's Post Boxes Have Air Mail Blues

LONDON conservatism received a jolt last week when the postal department sprinkled the West End with sky blue post boxes for air mail. Further to encourage air-minded postal habits, the post office has introduced air mail stamps in pocket books.



THE EXCLUSIVE 400

E. L. Nixon (right) professor of plant pathology at Pennsylvania State College, is the nation's potato-raising genius. He organized the 400-bushel clubs which get that yield per acre. The state average is 130. Challenged, he bought a worn-out farm, raised 441 the first year

Belgian Glass Industry Looks For Help Through Sales Cartel

European Bureau
The Business Week

THE calm in the glass industry is shattered. Belgium, long dominant factor in production, has been slipping—has dropped from a prewar output which was 42% of the world total, to a bare 36% at the end of 1928. To cope with the new competition which has sprung up in practically every country in Europe except England, Fourcault—Belgium's largest producers for many a decade—have announced that all the Fourcault mechanical window glass plants in Belgium have formed a sales cartel effective July 1, and modelled on the plate glass union. Libbey-Owens, chief competitors, are likely to enter the agreement soon. The new cartel will form the largest unit in the glass industry, and represents the most important development in Belgium's industry since the flat mechanical processes replaced hand blowing.

The importance of this agreement is shown by production figures of the glass industry in Belgium. In 1929, the mechanical window plate glass plants (Fourcault and Libbey-Owens systems) produced about 560 million square feet of glass. The blown glass plants—nearly all independents—produced only 90 million square feet. This total production compares with the prewar total of 450 million square feet.

Increased consumption of window glass throughout the world could easily permit Belgium to cope with the situation brought about by this increased output if other countries, formerly good markets, had not introduced, or rapidly increased, production. Australia and Japan before the War took between 15% and 20% of Belgium's exports, now depend almost entirely on their domestic production. United States consumption of 7% of Belgium's output is likely to decrease under a higher protective tariff. Czechoslovakia is becoming perhaps the most serious competitor. Before the War, all Austria produced annually only 100 million square feet of glass. Last year, Czechoslovakia alone jumped production to 205 million square feet. Switzerland, Greece, Poland, Spain, and Italy—all good customers before the War—are rapidly becoming self-sufficient.

International News

FRANCE'S FIRST TRAVEL MINISTER

Gaston Gerard's job is to make France the holiday land of the world. 230,000 Americans went over in 1928; only 160,000 last year. France, alarmed, has allotted $1,200,000 to recall them

Belgium's totals still bulk large: 500 million square feet in 1913, and 627 million in 1928. Of this total output, 95% is exported. Exports during the first quarter of 1930 amounted to only slightly over 50 million kilograms, compared to a quarterly average of over 70 million kilograms last year.

The enormous development in the output of window glass in the last few years has been made possible by the use of mechanical production methods. A few mechanical methods for blowing cylinder glass were used before the War, but the flat drawing of glass was almost unknown. Fourcault produced the first machine by which glass was drawn vertically. Libbey-Owens followed with a horizontal process. At the end of 1928 there were 431 Fourcault machines in operation in Europe, and 31 Libbey-Owens machines; 147 of the Fourcault machines and 13 of the Libbey-Owens machines were in Belgium.

Fusion of the domestic Fourcault plants will naturally solve the Belgian problem with regard to competition between local firms, particularly when an agreement is reached with Libbey-Owens.

13,741 more homes
now have the benefits of
Automatic Refrigeration

ASSOCIATED System electric and gas lines now carry convenient, automatic refrigeration to 13,741 additional homes. Employees sold this number of refrigerators, 230 carloads, to customers during a recent six weeks' campaign—more than twice as many as were sold by the Associated System all last year—more than were sold in the entire United States in 1922.

1930 purchases of appliances were estimated at $8,221,000. $5,000,000 worth have already been purchased with the peak season still to come. This increased use of appliances assures a future of continued growth for the Associated System serving 1,375,000 customers.

For further information about the Associated System and Associated securities write to

Associated Gas and Electric System

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Swift Survey of Business Abroad

EUROPE

By Special Cable to The Business Week

Renewal of the Wall Street slump has accentuated the general depression in European business, and no immediate relief is in sight. Prices are down; uneasiness is widespread. The first issue of reparations bonds was artificially successful in all countries except Holland, where a bankers' consortium was forced to absorb 60% of the Dutch portion of $29,346,000. The International Raw Steel Cartel has concluded its sales agreement with Swiss iron dealers on terms similar to those practically accepted by the British. Territorial restrictions are stipulated in the agreement, along with cartel minimum prices, and prohibition from buying continental iron outside the cartel. The cartel is now negotiating with Dutch dealers.

European nitrate producers have decided there will be no restriction on synthetic nitrogen production for home consumption for each adhering country, and that the lowest scale of prices for national consumption will prevail, with exports limited to fixed proportions and prices. Prohibition of nitrogen plant expansion has been agreed in principle, as well as restriction of output to 40% or 50% of present volume. Europeans will meet in Paris this week to decide on their agreement with the Chileans.

By Special Cable to The Business Week

Great Britain—Heavy liquidation in reaction to the Wall Street break has further depressed business. Coal orders have declined and Welsh producers have authorized that production during the September quarter be reduced. Cotton prices have dropped, causing unsettlement in the Manchester trade. Spinners of Egyptian cotton, in a meeting at Manchester, instructed a committee to prepare a scheme of rationalization in order to prevent losses. Price fixing and curtailment of output will be attempted. Members running more than an average time will make payments into a pool and those working machinery at less time will receive the payments. Support of at least 90% of the spinners must be assured before the plan is effective.

Official unemployment figures continued to increase last month to 15.3%, compared with 14.6% on April 28, and with 9.7% at the end of May last year, with the cost of living index 54% above 1914 as against 60% a year ago. The government scheme for the solution of unemployment by a special branch of the civil service and the three party conference are regarded unhopefully because the Tories demand tariffs as the first essential.

The movement is increasing in Lancashire to increase the number of looms per worker from 4 to 8. No actual trade union restrictions prevent, but workers fear increased unemployment. The 8-loom system would decrease employers' wage costs nearly 20%. At present, only one-half of the 700,000 looms are running.

By Special Cable to The Business Week

France — Business indicators this week confirmed earlier forecasts of an incipient crisis. Tax receipts for April and May, first two months of the fiscal year, were down $20 millions over last year. May imports dropped $14,500,000, exports $6 millions below April totals; compared with May last year, imports were down $38 millions, exports $9,200,000. Railway receipts and car loadings are declining steadily, receipts for the first week in June being down 6¾% over last year, 10% below the previous week. There is a pronounced tendency toward a slowdown of domestic and foreign trade.

As a result of Mussolini's warlike speeches, France is planning to spend immediately $40 millions for modern military equipment and complete reorganization along the Italian frontier, aside from the regular defence expenditures. Parliament will discuss shortly the $700-million national equipment program, hailed as the only practical means of maintaining normal activity.

Persistent storms, and heavy rainfall, have damaged crops, and prospects, which previously were good, are now rated only fair.

Michelin has completed plans to manufacture automobile tires in Karlsruhe, Germany. The automobile industry is alarmed at diminishing exports which totaled only 39,000 units in 1929

BUICK
GENERAL MOTORS

Keystone

ALEXANDRIA TRADES COTTON FOR AUTOMOBILES

Thrifty Egyptians keep camels to carry tourists to the pyramids, but themselves "spin down to the Nile for a sail" in the ubiquitous American automobile. Egypt last year bought 5148 automobiles and trucks from the United States

Announcing
the current issue—

HARVARD BUSINESS REVIEW

TODAY, if ever, the executive responsible for formulating management policies needs to keep in touch with current business problems. To him, this quarterly journal (edited under the direction of the faculty of the Harvard Business School) presents in its July issue the following significant, timely articles:

The Dependability and Meaning of Unemployment and Employment Statistics in the United States—*By* Royal Meeker

Financial Aspects of Mining Enterprises—*By* Lucius W. Mayer

Prices in Chain and Independent Grocery Stores in Durham, N. C.—*By* Malcolm D. Taylor

Profits of Commercial Banks—*By* Rollin Posey

Industry and the Aged—*By* Robert Howe

Trends in the Wholesale Grocery Trade in San Francisco—*By* Ewald T. Grether

Installment Finance and the Efficient Use of Capital—*By* Otto C. Lorenz

The Problem of the Furniture Retailer—*By* A. F. Williams

Problems of the Tanning Industry—*By* Richard Donham

Marketing Problems in the Aviation Industry—*By* C. I. Gragg

Mergers in the Cotton Industry—*By* Edmund P. Learned

Investment Advice—*By* R. Minturn Sedgwick

Mountain Moving in Seattle—*By* V. V. Tarbill

THE REVIEW *is published quarterly: July, October, January, and April. Each issue, 128 pages, 7½x10¼. Subscription rate is $5.00 per year. Responsible business executives are invited to subscribe.*

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compared with domestic production of 250,000, is preparing an export drive, particularly in the French colonies.

By Special Cable to The Business Week

Germany—General business stagnation, accentuated by the financial deadlock in the government, is the keynote of business this week. The monthly report of the Deutsche Bank Disconto Gesellschaft is surprisingly pessimistic, prophesying deepening depression as a result of the financial mismanagement in the country and capital stringency.

Moldenhauer's resignation is indicative of the seriousness of the situation, and Bruening's efforts to find a successor have so far been without success, all parties refusing to assume responsibility for the ill-fated ministry. The position is aggravated by the fact that Bruening is sticking to the emergency tax to be levied on the salaried classes, though the plan has been rejected by a majority in the Reichstag. Business is unanimous in the belief that only drastic reductions in public expenditures by a finance minister invested with dictatorial power can save the situation.

Because the industrial peace conference between employers and labor has failed to arrive at any general agreement, it has nominated trade committees to consider concrete proposals for price and wage reductions in single industries. In the meantime, the percentage of unemployed members in the building trade unions has reached 38%, against 11% in 1929. I. G. Farbenindustrie, controlling 15% of the German rayon output, has refused to join the recent price agreement between producers and consumers, which means an indefinite delay in the working out of the German rayon pact.

Uninterrupted drought since the end of May has materially reduced the original crop estimates, notably for rye and oats. At the same time, recent measures to increase the use of rye as fodder are allegedly reducing the carryover to 500,000 tons, relieving the position of the rye-growing farmers and stopping the drain on federal finances.

Feldmuehel A. G., leading paper company, has acquired control of the Koholyt pulp works in East Prussia from the British Inveresk Company, now in financial difficulties. This means the liquidation of one of the few British manufacturing interests in Germany, which is in distinct contrast with increased American participation in German industry. Also, Armour & Company are reported to have entered an agreement with the Ostpreussische Fleischwarenwerke, at Koenigsberg, the latter to start mass production of bacon and other packing products which will be exported to England and distributed in Germany through the Armour organization.

By Special Cable to The Business Week

Italy—Industry is slightly more optimistic because of increased consumption of electricity and an increase in carloadings, and because the fall in world prices and abolition of the octroi have finally reduced retail prices. The retail index figure for May dropped from 522 to 500, and it is still falling.

Retaliation to the American tariff threat is becoming more bitter. The leading Italian business daily advocates buying wheat, petroleum, telephone and telegraph apparatus, farm and other machinery and automobiles at home, or elsewhere than in the United States. The Confederation of Commerce at Rome is considering means of turning American trade to other channels. Official *Popolo d'Italia,* Milan, declares Italy will join no European tariff accord.

Russia — Optimism is returning. First returns from early harvesting in the south are excellent, while in the extreme north final sowings were completed under favorable weather conditions. Total grain sowings to June 15 were 207,159,000 acres, or 90% of the program. Added to sowings last fall of winter crops, the total exceeds 300,000,000 acres. This is 6,500,000 acres more than last year's total.

Reports on May production show that coal, paper, cotton fabrics, rubbers, and agricultural machinery fell behind April production.

Selmashtroy, largest agricultural machinery works in Europe, began production at Rostoff, on the Don River, last week on the same day that the first tractor rolled off the conveyor at the Stalingrad plant, whose 50,000 anticipated annual production will equal that of all the rest of Europe.

LATIN AMERICA

Reactions to the United States tariff policy, feature of business interest in Europe a week ago, this week dominated business thinking in Latin America. *El Diario,* Buenos Aires conservative daily, advises reciprocal concessions among nations affected by the new tariff in order to isolate the United States. Havana's *El Mundo* and Quito's *El Telegrafo* are as indignant, while in Mexico, the Foreign Minister has indicated that his country is planning to expand its consular service in order to gain new markets, especially in Canada and Central America, to replace those in the United States. Packing plants may also be established to decrease the importation of American canned goods.

Lack of interest in South American loans is evident from Buenos Aires' failure to receive any bids on the $11,400,000 loan for municipal improvements. Peso exchange dropped to a new low of 120.60.

In Bolivia, the Standard Oil Company of New Jersey, through its subsidiary, the Standard Oil Company of Bolivia, is planning construction of a pipe line to deliver oil from the newly developed Bolivian fields of the company through the Argentine to water transportation.

An aggressive export program in Chile has led to negotiations to consolidate Chilean shipping interests into two great organizations, one to handle west coast trade and the other the extreme south of Chile and the east coast of South America. The Bureau of Communications has announced that two new rail routes will soon connect with Argentina: one in the south at Lomquimay; in the north, and to be opened this year, a line connecting Salta (Argentina) with the port of Antofagasta, nearly 500 miles nearer than Buenos Aires, the port for most Salta business.

Ernest Boggiano, president of the Government Bank of Peru, at Lima, is studying American banking methods in New York.

Argentina—Two factors have alleviated the gloom in the business outlook—rains and the resulting favorable effects on wheat, and practical assurance that the extensive road-building program will be executed.

Exchange is weak, railway receipts are down from those of a year ago, grain shipments continue far below normal, and unemployment has increased. Better conditions are not anticipated before spring, but present condition of the winter crop is stirring some optimism.

Chile—Interest is suspended in the nitrate discussions in Belgium between natural and synthetic producers—with local interests optimistic. Success at Ostend will forecast one all-embracing cartel.

In the meantime, Congress is expected to pass a bill creating a Ministry of Agriculture, one of whose first duties will be to lower prices of agricultural products in the nitrate area by more efficient distribution.

COÖPERATING WITH BUILDERS OF AMERICAN BUSINESS

IN FRANCE—American cotton being unloaded on the wharves at Havre. At this great port is located a Guaranty Office—a completely equipped bank for international trade. Our Havre Office facilitates the business of many prominent American shippers of cotton and other products.

A SUBSTANTIAL part of the total export and domestic movement of cotton is financed by the Guaranty Trust Company. Our exceptional service to the cotton interests is typical of that rendered to every important branch of American industry. We shall be pleased to discuss with you the banking problems involved in your domestic and international business.

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LONDON PARIS BRUSSELS LIVERPOOL HAVRE ANTWERP

CAPITAL, SURPLUS AND UNDIVIDED PROFITS MORE THAN $295,000,000

What the Figures Show

THE business situation has begun to exhibit the irregular, confusing characteristics usual at ebb tide during midsummer following recession and just preceding the turn. Continuing liquidation and decline in certain figures overlaps and obscures strengthening in others. Gradually more and more the underlying currents begin to set in the direction of recovery. Though most commodity prices still tend to weaken there is greater resistance to further decline in basic industrial activity and general trade. Scattered favorable indications begin to appear in strengthening of residential building, in better carloading records in a few sections of the country, in the firmness of certain metal prices like copper and tin, in the increasing rate of expansion of member bank credit. The impending adjournment of Congress must also be counted a favorable influence.

Business Activity Index Rises

The Business Week's preliminary index of the volume of general business activity for the week ending June 21 has risen sharply to 93.6% of normal as compared with the final index of 88.8% for the preceding week and 110.7% for the corresponding week of last year. This rise is due to marked strengthening in the index of building construction based on the average of the past four weeks; and to a rise in bank debits outside New York City, which may be explained partly by quarterly income tax payments on June 15.

The production group in the index rose sharply from 87.9% of normal to 92.2%. The group of general trade indicators as a whole made a somewhat larger increase, from 89.4% of normal to 94.7%.

	Latest Week	*Preceding Week*	*Year Ago*
THE BUSINESS WEEK INDEX OF GENERAL ACTIVITY	***93.6**	**‡88.8**	**110.7**
Production			
Steel Mill Operation (% capacity)	66	68	95
Building Contracts (F. W. Dodge, daily average in thousands, 4 weeks basis)	$19,211	$16,924	$24,147
Bituminous Coal (daily average, 1,000 tons)	*1,336	‡1,359	1,572
Petroleum (daily average, 1,000 bbls.)	2,599	2,571	2,765
Total Electric Power (millions kw.-hr.)	*1,785	*1,810	1,810
Trade			
Car Loadings (daily average, all classes, 1,000 cars)	155	156	179
Check Payments (outside N.Y. City, millions)	$6,145	$5,234	$6,496
Money in Circulation (daily average, millions)	$4,482	‡$4,490	$4,669
Wheat Receipts (1,000 bushels)	3,681	4,546	5,582
Cotton Receipts (1,000 bales)	71	92	72
Cattle Receipts (1,000 head)	*160	‡174	156
Hog Receipts (1,000 head)	*514	‡506	524
Wool Receipts (1,000 lbs.)	§14,738	§14,685	§11,709
Prices (Average for the Week)			
Wheat (No. 2, hard winter, Kansas City, bu.)	$ .90	$ .98	$1.02
Cotton (middling, New York, lb.)	$ .137	$ .148	$ .187
Iron and Steel (composite, ton)	$33.44	$33.52	$36.84
Copper (electrolytic, lb.)	$ .118	$ .117	$ .178
All Commodities (Fisher's Index, 1926-100)	86.2	87.0	97.6
Finance			
Total Loans and Discounts, Federal Reserve member banks (millions)	$17,128	$16,966	$16,543
Commercial Loans, Federal Reserve member banks (millions)	$8,513	$8,402	$9,161
Brokers' Loans, New York Federal Reserve member banks (millions)	$3,416	$3,787	$5,542
Federal Reserve System Ratio	83.7	83.3	75.3
Stocks Sold (N. Y. Stock Exchange, 1,000 shares)	26,487	21,276	17,045
Stock Prices (N. Y. Times, average 50 stocks)	$192.02	$209.82	$253.71
Bonds Sold (N. Y. Stock Exchange, par value, thousands)	$60,966	$52,546	$53,325
Bond Prices (Dow, Jones, average 40 bonds)	$95.26	$95.29	$93.55
Interest Rates—Call Loans (daily average)	2.5%	2.9%	7.0%
Interest Rates—Time Loans (daily average)	2¾-3%	3-3¼%	8%
Business Failures (Dun, number)	487	489	427

***Preliminary** **‡Revised** **§New Series**

The Situation in Steel

The slackening in steel activity this week was slower than expected. Steel Corporation operations declined only slightly from a little under 72% to slightly above 71% of theoretical capacity. Independents fell off from 64% to 61%. The rate of decline in steel activity since the high point in April is still less than 1928, though more than last year. This slackening in the rate of decline has somewhat lightened the pessimism in the trade and led to increasing expectation of some upturn toward the end of July. The Steel Corporation, according to *Iron Age*, is planning to bring as much ore down the Lakes as in 1929, which is taken to indicate its faith in business prospects for the last half of the year. A large Pittsburgh independent is preparing to blow in two blast furnaces early next month, partly because of pressure for line pipe deliveries. High activity in line pipe and fabricated structural steel are important sustaining influences in face of slack railroad demand and impending sharp reduction of automobile production. Ford will close down from July 12 to July 28. Mills are finding difficulty in filling orders for line pipe projects for completion this year. New structural steel projects announced last week were largest this year with one exception. Tin plate production is holding at a satisfactory average and railroad steel demand, so far declining, is expected to pick up in a month or two. Further price weakness in finished steel lines has appeared but scrap prices are holding fairly steady.

The Business Week's index of steel ingot production, adjusted for seasonal fluctuations and year-to-year growth, declined from 98.1% to 96.8%.

Building activity picked up sharply in the week ended June 20. The total of contracts for the week, according to Dodge, was the largest in three months.

The daily average on a four-weeks basis was the third largest for the year to date and only 20% below a year ago. The deficit below last year to date has been reduced to about 17%.

Building Construction Index

The Business Week's index of general building construction, adjusted for seasonal fluctuations and normal growth and based on the past four weeks' average, rose from 79.6% of normal to 90.3% and was highest since late in March.

A favorable indication of building strength is the Dodge report that new awards in New York state during May were larger than in the previous month or in May, 1929.

Heavy construction awards for the week ended June 26 rose 3% and were only about 17% below a year ago, paralleling the cumulative total to date.

The daily rate of bituminous coal production declined slightly further for the week and is considerably below the 1928 level. Our index of coal production now stands about 29% below normal.

The daily average rate of petroleum production increased slightly for the week, is below last year but considerably above 1928.

Electric power production for the latest week declined sharply and shows the largest deficit (1.4%) below a year ago so far registered this year. Our index of power production declined from 97.4% of normal to 97%, the lowest figure so far in 1930.

Commodity Price Fluctuations

Commodity prices had another series of bad days in sympathy with the stock market, but showed some strengthening toward the end of the week. Wheat, cotton, rubber, sugar, silk, lead and zinc hit lows for the year or for longer periods. The wheat average declined 8 cents and is 12 cents below a year ago. The Chicago closing price June 25 on July wheat was 88⅝ cents. Export demand continues slack and the new crop is coming to market rapidly.

The cotton average fell below 14 cents and is 5 cents under a year ago, as the first bales of the new crop reach market in the Southwest. Tin strengthened under reports of agreements for a world-wide shutdown of production. The copper price showed increasing firmness, with fairly good domestic and export demand. The iron and steel composite, however, declined sharply again to a low figure for the year.

The Fisher all-commodity index showed considerable decline and is more than 10% below last year. The National Fertilizer Association index fell 1.1%, the largest decline of any week during 1930.

General Trade Indicators

The general trade indicators move irregularly. Total freight carloadings declined and showed the largest deficit (13.3%) below last year so far in 1930, with one exception. Non-bulk carloadings were nearly 12% below a year ago and 7.3% below 1928—also the largest deficits with one exception so far this year. Our index of this group of carloadings declined from 89.2% to 88.7% of normal, which, with exception of three weeks, is the lowest so far this year. Carloadings normally show very little upward trend during June.

The Southwestern-Pacific Coast area, including California, Arizona, Nevada and New Mexico, however, reports an increase of 4.7% in carloadings of all commodities this May over last—the first increase over last year reported by any section. This rise in freight traffic included a 15% increase in less-than-carload merchandise and 6% in miscellaneous loadings.

The Business Week's weekly index of general business activity, first of its kind, is based on eight series of weekly figures—steel mill operations, building contracts, bituminous coal production, electric power output, non-bulk carloadings, check payments outside New York, commercial loans of reporting Federal Reserve member banks, and currency in circulation. It shows the current level of the average daily physical volume of business as compared with the normal for the season and the year. Normal, represented by 100, is what the current volume of general business activity should be if the usual seasonal changes and year-to-year growth had occurred. For further explanation of the index see *The Business Week*, May 7, 1930, p. 39.

Check payments outside New York City rose sharply for the second consecutive week and showed a deficit below last year of only 5.4%. Our index of bank debits outside New York, based on the average for the last two weeks and adjusted for seasonal fluctuations and normal growth as well as price changes, rose from 87.5% to 96.7% of normal. In 131 cities outside stock trading centers bank debits rose 13% for the week and were only 5.3% below last year.

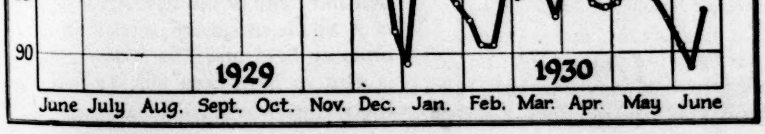
Commercial Loans

Commercial loans of reporting member banks rose sharply for the week, showing the largest weekly increase so far this year. Our index, adjusted for commodity price changes, seasonal fluctuations and year-to-year growth, rose from 98.7% of normal to 101.4%.

Currency in circulation declined slightly for the week and our index remained practically unchanged at about 1.4% below normal.

The number of business failures declined slightly, following the usual seasonal trend, but remains considerably above the past two years.

Our index of total loans and investments of the reporting member banks for the latest week, adjusted for seasonal flucuations and normal growth, rose fairly sharply for the week and is about 1% above normal, indicating an increased rate of credit expansion, which is a favorable sign.



Swift Shifts in Business Today Make Weekly Index Vital

It Points Changing Trends Almost Two Months Ahead of Older Barometers

The Business Week's weekly index of the volume of general business activity is the first as well as the most comprehensive weekly business index to be published in this country—and that, of course, means anywhere in the world, because all other countries are somewhat behind the United States in compiling even monthly business statistics.

Statisticians have doubtless experimented from time to time with weekly measures of changes in business conditions as a kind of statistical curiosity. Individual figures, like those of bank debits or carloadings, have, of course, been used alone as indicators of business trends from week to week for a long time, and some private services have provided their clients with what were called weekly "business indexes" based on one or two of these series of weekly figures. But for various reasons, no one saw fit to issue a broad weekly index of business for general use till *The Business Week* began to do so in the first week of May, this year.

New Promptness Needed

One reason is that there seemed to be little incentive to accurate, comprehensive measurement of weekly changes in business when times were piping, as they have been in the past few years. Since the beginning of 1930, however, there has been incentive enough. So *The Business Week's* prompt response to this need, as a logical part of its weekly service of providing up-to-the-minute news of business, has stimulated others to publish or compile for their own use similar measures of the weekly business trend, though none of these so far is as comprehensive as *The Business Week's.*

What is the value of a weekly index of general business activity and how much significance has it?

Changes Come Faster

It is obvious that in modern business, wide changes in conditions can take place not only from year to year or from month to month, but from week to week and even from day to day. Particularly in times like these, with conditions changing very rapidly, it has been necessary for the business man to keep much more closely in touch with the current trend of business than is possible merely from the monthly figures.

There are some excellent monthly indexes of general business conditions, covering a very wide range of industries and trade activities; but it takes so long to get the material together and to compile these indexes that they are never available till nearly a month or more after the time to which they refer. These monthly indexes sometimes show no marked change from month to month, even though a complete reversal in the direction of the business trend may have taken place during the period. The monthly totals may muffle or disguise this trend at a critical time.

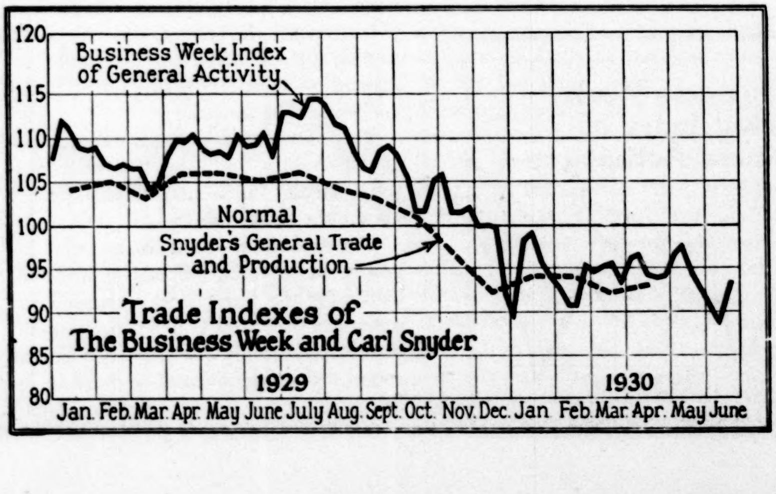
A weekly index including the most comprehensive indicators and compiled within three or four days after the week to which it refers is therefore a very great aid as an indication of the trend of business currently during the month. The chart of *The Business Week's* index shows that the peak of business activity last year was reached in the last two weeks of July. Thereafter the downward trend was very definite. If this index had then been available, it would have been possible for the business man reading *The Business Week* to have known that the downturn had taken place fully a month to six weeks before it began to be evident in the monthly figures from the various indexes. Similarly, with the sharp upturn in business at the beginning of January, the reader would have been able to see, after two or three weeks, that this upturn was going to be a fluke, although the monthly figures did not show this until long afterward.

Gives Advance Knowledge

In this sense *The Business Week's* index has the qualities of a barometer as well as a thermometer, although it is not, of course, in any strict sense a forecasting index. Honest forecasting is essentially nothing more than accurate knowledge of what is happening before anybody else knows what is happening. By measuring the trend of business from week to week during the month, at least three or four weeks before the monthly figures can possibly reveal it, *The Business Week's* index does give the business man advance knowledge of the business trend.

This may be seen more clearly in the chart on this page which compares the course of *The Business Week's* index with that of the most comprehensive monthly index of general trade and production, compiled by Carl Snyder, general statistician of the Federal Reserve Bank of New York. Remembering that each of these monthly figures of the Snyder index has not been available within a month after the date, it is clear that *The Business Week's* index has anticipated the ups and downs of the most general monthly index almost two months before the results of the monthly index were known.

The chief value of *The Business Week's* weekly index, therefore, is that it is a prompt indication currently during each month of the general direction and trend of business activity. This is a vitally necessary service in such times as these, and *The Business Week* is glad to have been able to take the lead in furnishing it.



JOHN HANCOCK SERIES

We Release *to* Business Men

—this story showing how life insurance guaranteed and discharged payment of preferred stock and enhanced credit of a corporation.

WHEN the Lord Baltimore Hotel in Baltimore, Maryland, was financed in 1927, Harry Busick, hotel man of experience, was selected as President and Manager.

First mortgage bonds of $3,200,000 were issued against the property itself. 7% cumulative first preferred stock amounting to $1,150,000 was sold to the public at par, and in addition 20,000 shares of common stock were issued without par.

To safeguard the hotel company against the possibility of losing Harry Busick's expert direction by death, the bankers who financed this corporation plan required that $1,150,000 Life Insurance be issued on Harry Busick's life as the first requisite, the proceeds of the insurance in the event of his death to be deposited with the Union Trust Company of Baltimore, Trustee, for the purpose of retiring the preferred stock.

With others interested in the management, Mr. Busick invested his personal funds in the common stock on which there was no quoted market value.

Harry Busick's accidental death two and one-half years later demonstrated the value of this arrangement. The first preferred stock was retired with the Life Insurance proceeds by the Trustee, and the common stock immediately acquired a market value of approximately $55 per share.

The hotel company suffered no impairment in its financial condition, and was relieved of a liability of $1,150,000, which mitigated in large measure the consequence of loss through the death of an important personality. The family of Mr. Busick and others who had invested in the common stock also benefited by its subsequent appreciation.

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B. W.

OVER SIXTY-SEVEN YEARS IN BUSINESS

Money and the Market

DEVELOPMENTS of major import occurred this week in financial fields as stocks swept downward and hundreds sold lower than at their lowest point last fall. Commodities and money rates dropped with unusual violence and gloom spread itself over much of the lower end of Manhattan.

But the whole occurrence has the appearance of a dying gasp of the liquidation which the financial community has experienced for the past eight months. Just as the sharpest rises in stocks last summer proved to be the last convulsions of a bull era gone mad so the present probably marks a climax of depression.

Better Times Ahead

The turn may not, probably will not, be abrupt. Sporadic relapses will take place. Last year business turned down in June, the stock rise stopped the first of September. The big crash didn't come until late October and November. The period of vacillation was of some duration then; the present one may be longer. Last year the stock market didn't sense the downturn in business for months. *The Business Week* senses better times ahead for business now: the pessimistic stock market may not sense them for some time, probably won't.

Hundreds of stocks sold down to levels below those of last fall this week. Averages for railroad stocks were lower than in November, lower than since March, 1927. Industrial averages came within about 5% of the lows of November. Utilities dropped.

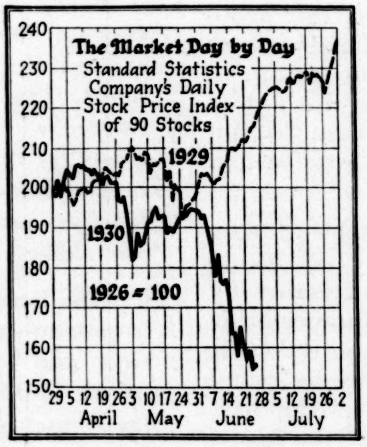
Bank stocks, which have been weak for some time, declined more, and now average lower than last fall. Low money rates and other difficulties besetting the banks arouse investors' doubts. Vicious rumors about some institutions, though unofficially branded as untrue, continue to go the rounds.

Congress makes loose talk about some investigation of Wall Street. Nothing will come of it. The "talkers" wouldn't know how to proceed, don't even know what they clearly have in mind.

The market is ignoring favorable signs just as flagrantly as it ignored the unfavorable ones in its final run-up last year. The Federal Reserve rate cut to 2½%, lowest in history, in New York, apparently had no effect on stocks. Washington produced reassuring statements to business which didn't reassure. Finally pressure was put on the ace, Secretary Mellon, who talked about the tariff. Venerated as he may be by the financial community, Mr. Mellon spoke this time to no avail.

Strong buying, of the kind that is for "keeps" is in the market, substantial if not in heavy volume. The groundwork for large fortunes of the future is being laid, as many shrewd, small investors take advantage of stock prices, the prediction of which would have been scorned a year ago, will be scorned a year from now and two years from now. Good judgment and selection are necessary and are being used.

Cuts in brokerage margin requirements came this week. Margins as high as 50% were required in the recent months. Stocks can be had on 25% now in some houses, and more will fall in with the trend.



Railroad earnings for May, exciting gloom in the street, are considerably better than those for April, though 25% to 30% below a year ago. Net operating income of the first three dozen roads to report was $34,141,000. That compares with $29,695,000 for April, according to Dow-Jones compilations.

Bank credit developments were the most favorable for many weeks. Commercial loans of member banks ran up by $111,000,000, much the largest weekly increase seen this year. Investments of the weekly reporting institutions rose $72,000,000, one of the largest gains for the year. Security loans also went up. The total of loans and investments for these banks was the highest to date for 1930, excepting only the first week of the year.

Bond prices fell this week, but the sharp rise in bank investments is an excellent omen for the bond market. If buying continues, a stronger market will develop, just as a weaker one has followed the cessation of buying in recent weeks. Bank buying for investment predominates in the bond market

Money rates dropped this week, another favorable factor for the bond market. Call money, after hanging for a while at 2% fell to 1½%, the lowest price it has reached since August, 1917. Rates for bankers' acceptances were cut ⅛%, to 2 bid, 1⅞ asked, for short maturities. Reductions in proportion were made in longer maturities, and for these the rates were lowest in the history of the American bill market. The differential between the short and longer maturities is less this year than in earlier periods.

The Chicago Reserve bank reduced its rate to 3½%. Boston, Cleveland and the banks are also now at that rate, New York at 2½ and the remaining banks at 4%. Reductions are expected in some of the latter cities.

The German Reichsbank reduced its discount rate to 4% from 4½%. There was some expectation that the Bank of England would cut its rate from the present 3% this week, but no change was announced.

New York City banks reduced interest rates they will pay to depositors for the second time this year. The reduction was ½% all around except on time deposits, the rate on which was cut 1%. Some bankers are favoring elimination of interest payments on time deposits.

Brokers' Loans Drop

The declining market brought a huge drop in loans to brokers and dealers. The total of $3,416,000,000 is a drop of $371,000,000 from the previous week, and the largest decrease since the terrific liquidation of last fall. The total is lowest since the first week in February. Thus all the increase coincident with the market run-up disappeared.

The volume of Federal Reserve credit declined by nearly $40,000,000 as the system took money out of the market. Bank rediscounting at the system increased by $25,000,000. But acceptance holdings were $30 millions less and government securities held were $20 millions less. Officials of the system either feel that money is sufficiently plentiful already, or they lack the nerve to go through with the mild dose of inflation which many believe is needed to halt the large decline in prices.

THE NEW STATESMANSHIP OF SELLING

when does a sale begin?

The gentleman with the thin hair and gone-out cigar you may have observed in the corner of the club-car may have the makings of a very substantial order behind his salt-and-pepper eyebrows. He does not say so. But he will talk about Hoover and the weather.

He is a vice-president of one of our quite substantial businesses, a member of the executive committee, a director. Right now he is turning a few things over in mind—sales are a little off, costs must be reduced. He is getting ready to stir things up a bit—to initiate some developments in certain quarters. He has ideas—born of a lot of experience. His voice carries authority when he expresses his views.

Certain questions are under consideration by the Board just now—and recommendations are being weighed in the balance by the executive committee. A meeting of minds will be essential. They will be strong minds.

Meanwhile, sales hang in the balance. No matter whether the seller knows it—or will learn of it later through a tip—the decision will come from the "top". No matter who started the idea or who made the recommendation, the final "yes" or the final "no" will carry a lot of authority. Who, then, is the "buyer"?

The moral of this is that while many men are important in the negotiations which lead up to a sale—*the men who control the money cannot be ignored*. Those important men who carry the responsibility for the disbursement of the capital funds of business, like the gentleman in the corner of the club car, germinate their ideas and rich projects in amiable silence, and in consultation with their associates.

This is the challenge to the statesmanship of selling.

◆ ◆ ◆

This is where the sale begins. This is where the statesmanship of selling is called upon. This can be a starting point of new and useful friendships in business and the opportunity to strengthen old acquaintance.

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THE BUSINESS WEEK is a precision tool for advertising to business and business men — to those businesses that are making our economic history; to those business men who are admittedly the most important people in America.

The Dublin Letters

To Mr. Derby Thomas—Reviewing an Error in Judgment

Office of James W. Dublin
New York
November, 1927

Dear Derby:

The attached memo to Mr. George Clark will serve as a preface to some remarks which I feel are coming to you.

There is one small correction in the Clark memo I should like to make before we proceed, to wit: I said Miss Manley was an economic dislocation and I was wrong about that. I now guess that a divine wisdom furnishes a certain quota of Miss Manleys per generation for use by business executives as character testers for their male employees. The principle is similar to the way you candle an egg.

Derb, I wish you hadn't done it. I know that sounds like a weak statement—the pathetic bleat of a fond old man. But what a hell of a debut for you to make in your uncle's advertising agency! It nicks my dignity, boy, somehow. I feel like the girl who happened to trip over her hope chest the day after her engagement was busted.

With mixed emotion I say I would still like to alibi you. But I'm afraid that is impossible. I find I have been exposed to the fitful winds and waves of human nature too long. I am tattooed with experience and it won't bleach out. I know too much.

I would just love to lean back in my chair and laugh a big-man laugh and in between chokes of hilarity say: "Boys—will—be—boys." But my laughing cords dried up trying to apologize to R. R. Jamieson. I would just love to wave a magnanimous paw and charge the whole reception room incident up to innocent merriment. Innocent, me eye!

Something mean niggles at me and tells me you tried to pinch off a mental snuggle on the company's time. And, while you were leaning over Miss Manley's desk peddling your small talk and gazing into her sociable orbs, you assumed the perfect posture for Fate to sneak up and give you the boot. Which Fate did, being a playful Jane herself at odd times.

While we're at it we might as well rassle this whole proposition out on fundamentals.

Unhappily I am now wide open to the suspicion that you are one of those precocities who expect to get by exclusively on their *technique and brains*. People are getting more and more that way. This is the day and age of specializing. The idea is to sharpen one dinky little set of cerebral cells to such a point you can charge high for the stunt. In the sharpening process a lot of what the old-fashioned folks called character is often whittled away and swept out with the shavings.

When I say character I don't mean a dress-suit to get you out in front with the goody-goodies. I don't mean anything which implies an oilier-than-thou mug and a self-written franchise to despise the run-of-mill human frailties. I mean the cultivation of a sort of *general genius* as contrasted with the high-spot thing you call your trade, talent, profession or whatever your principal place of window dressing is.

General genius means *having a repertoire.*

The human race survived on all-round smartness. It didn't hang on by means of a specialty. Maybe the primitive brain was a one-cylinder affair—but it's a cinch the owner used *all of it.* Otherwise, you wouldn't be here on the carpet today.

Character—or general genius, whichever you wish to call it—is therefore something greatly to be desired. Training and experience don't make a finished piece of manhood. Throw in a God-given talent for good measure and you're still shy a lot of essential nuts and bolts. Unless the human unit is assembled with *character,* it is always having to be factory rebuilt or is threatening to fall apart into a bunch of junk.

Take my word for this, Derb: right this very hour in the U.S.A. there are scores of men under discussion by their directing superiors. These exhibits will rate all the way from "Smart-With-Snappy-Personality" to "Triple-X Brilliant." But, nevertheless, the question is, shall we fire 'em or be a sucker and give 'em another chance?

How come? Booze, women, spasmosis of effort, shooting off the face, bloated bean, crummy team-work, fresh deportment, intermittent indifference. Or possibly they are drawers of salary and hewers at the chief behind his back.

Please note that these are *character items* as distinct from the ability, the mental equipment, to handle a specific job. And please, therefore, deduce the idea that, maybe, after all, the American executive doesn't solve his organization problems merely by filling up the payroll with men who technically qualify for the duties assigned them.

I think in a few more years the handy-man-around-the-house is going to make a strong comeback as a National Ideal. We've got to have people who can do more than *one* thing. A dog with only one trick gets on your nerves after you've seen his act a few times. This is a complex industrial civilization. We need men who can sense situations outside the threshold of their walled-in little departments and their departmentalized minds.

I used to lean heavy toward the scintillant brand of *genus homo* and if he were inclined to be erratic that made me all the more hopeful that he contained the divine essences. But as the years went by and my hair thinned out under the strain of being a Gatti-Casazza to a bevy of publicity stars, I re-vamped my ideas. I began to look around for some hired help that could come in bringing a reference from their pastor.

Now don't misunderstand me. It isn't that I have run up against such a lot of bad *hombres*. But they leak.

I have learned—and I can verify my statement with some tragic memories—that it doesn't do a man much good to develop an ability which leaks away because his character opens at the seams. Once people get on to him he can never offer himself as a full quart again. He can guarantee the quality, perhaps, but the buyer has to take a chance on the measure.

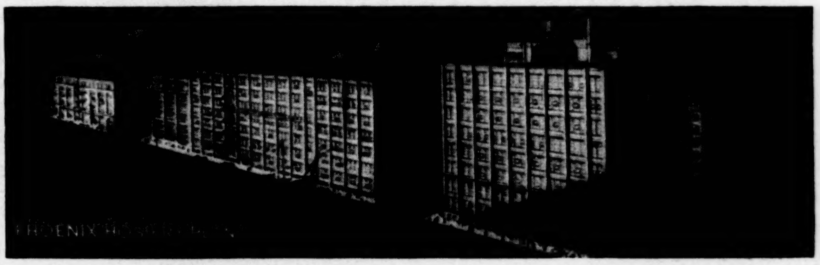
Probably you remember the story of the little Dutch boy who discovered a leak in the dike and stuck his thumb in it until help arrived—thus saving the whole village from destruction by flood. Most business executives will tell you they've been in that same fix about their organizations. Some of them have gone through periods in which they spent half their time thumb-plugging and fervently wishing they could grow more thumbs before the big washout broke.

I believe these same executives will tell you that they can find a good supply of technicians and specialists, but the fellers that can take the stress and strain on *all* their timbers instead of holding up the roof in just one dinky place are scarce. In proportion to the need for them they are as rare as Button Gwinnett's pen-tracks.

Need I say more? Won't you please go off by yourself and fall into a reverie on the foregoing? Thereby benefiting both of us.

J. W. D.

HOW FILTERED AIR



HELPS PHOENIX HOSIERY SOLVE THEIR PROBLEM OF QUALITY-MASS PRODUCTION

WITH growth of plant and production, and the increasing problem of dust, maintenance of high quality in mass production is an acute problem. The Phoenix Hosiery Company, of Milwaukee, has solved the problem through the use of American Air Filters, which are capable of providing their plant with 150,000 cubic feet of clean air a minute. According to a guaranteed survey made by the A. C. Nielsen Company, the cleanliness and improved condition of the packaged product have been reflected in increased sales. Maintenance costs have been reduced. Employee health and efficiency have increased.

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THE BUSINESS WEEK

The Journal of Business News and Interpretation

July 2, 1930

To Enthusiastic Hearse-Drivers

On the cover of last week's issue we said we thought American business, in the present situation, is giving a pretty poor exhibition of its proverbial spunk and shrewdness. We meant it, and repeat it.

There are exceptions, of course. We could mention dozens of American business concerns that are not adjourning for golf on Fridays, or sitting around grousing because business is bad, or because we are in a depression, and ought to act like it. On the plausible assumption that somebody will be doing business right along, they are going ahead with their plans for getting as much of it as they can get (including some of the other fellow's) and in many cases making as much money as they did in years before last.

But by and large, American business has grown soft and spoiled in consequence of a long period of easy, piping times, with things taking care of themselves and everything coming its way. It has almost forgotten how to buckle down to work, use its brains, and make intelligent, prompt adjustments to changing conditions or new obstacles; and it hates like the deuce to begin. It seems instead to get a perverse and puerile pleasure out of blue-funking about and playing "Let's all be depressed."

The truth is this sort of behavior has become a bit ridiculous and childish for a community of healthy, intelligent, adult business men. Sure it's a business depression: worst since 1921, if you like; terrible. We know all about it now—or plenty. We've measured it up, down, and sidewise with our statistical micrometers and stethoscopes; taken its pulse, examined its tongue, and reported regularly to the doctor and the nurses. We've noted all the serious obstacles to recovery—the big stocks of staple commodities, the excess productive capacity and falling prices the world over; the profound maladjustment of costs and prices; the artificial efforts to juggle prices and hold supplies; the outbreak of a protectionist, imperialist, or nationalistic prickly heat rash of tariff wars, subsidies, trade obstructions; the political disturbances and social unrest abroad; the loss of confidence in the government at home.

Well, what shall we do, doctor? Summon the relatives, call the priest, notify the undertaker?

"Not on your life," says the patient. "I've been through this sort of thing before, and seen lots worse that you wouldn't remember—even grass growing between the cobbles of Wall Street. These handicaps are painful, especially since some of them are the result of my own folly; but they won't kill me or keep me down much longer. You know as well as I do that I am going to recover, as always, and that I'll begin just when I seem to be worst, and when you are most pessimistic. When I do, the whole world will know it, from China to Peru. Don't lay any bets on my demise, or waste your time loafing on the mourners' bench. If you're not around when I get up you'll be missing something."

Sumner, of Yale, one of the hardest heads and broadest minds of this country, had only one precept for his students. He asked nothing, expected nothing of them; only—he used to say to every new class: "Don't be a damn fool."

Some day soon some business men are going to wish they hadn't been, or hadn't listened to so many.

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